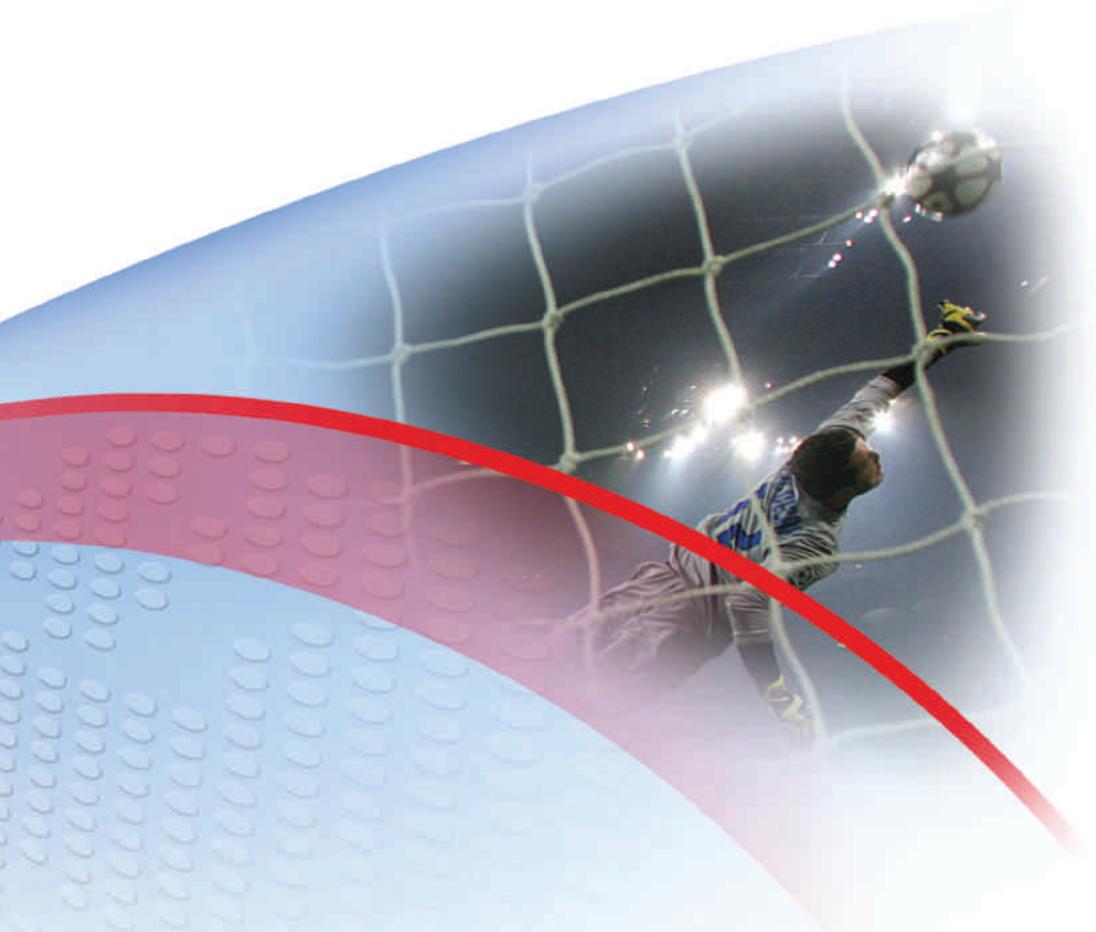




**Club Licensing**  
**Financial Fair Play**



**UEFA Club Licensing and  
Financial Fair Play Regulations**  
**Edition 2010**

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## **Preamble**

Based on Articles 7bis(4), 50(1) and 50(1bis) of the *UEFA Statutes*, the following regulations have been adopted.

## **Part I. General provisions**

### **Article 1 – Scope of application**

---

- 1 These regulations apply whenever expressly referred to by specific regulations governing a club competition to be played under the auspices of UEFA (hereinafter: UEFA club competitions).
- 2 These regulations govern the rights, duties and responsibilities of all parties involved in the UEFA club licensing system (part II) and define in particular:
  - a) the minimum requirements to be fulfilled by a UEFA member association in order to act as a licensor for its clubs, as well as the minimum procedures to be followed by the licensor in the assessment of the licensing criteria (chapter 1);
  - b) the licence applicant and the licence to enter the UEFA club competitions (chapter 2);
  - c) the minimum sporting, infrastructure, personnel and administrative, legal and financial criteria to be fulfilled by a club in order to be granted a licence by a UEFA member association to enter the UEFA club competitions (chapter 3);
- 3 These regulations further govern the rights, duties and responsibilities of all parties involved in the UEFA club monitoring process (part III) to achieve UEFA's financial fair play objectives, and define in particular:
  - a) the role and tasks of the Club Financial Control Panel, the minimum procedures to be followed by the licensors in their assessment of the club monitoring requirements, and the responsibilities of the licensee during the UEFA club competitions (chapter 1);
  - b) the monitoring requirements to be fulfilled by licensees that qualify for the UEFA club competitions (chapter 2).

## **Article 2 – Objectives**

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- 1 These regulations aim:
  - a) to further promote and continuously improve the standard of all aspects of football in Europe and to give continued priority to the training and care of young players in every club;
  - b) to ensure that a club has an adequate level of management and organisation;
  - c) to adapt clubs' sporting infrastructure to provide players, spectators and media representatives with suitable, well-equipped and safe facilities;
  - d) to protect the integrity and smooth running of the UEFA club competitions;
  - e) to allow the development of benchmarking for clubs in financial, sporting, legal, personnel, administrative and infrastructure-related criteria throughout Europe.
- 2 Furthermore, they aim to achieve financial fair play in UEFA club competitions and in particular:
  - a) to improve the economic and financial capability of the clubs, increasing their transparency and credibility;
  - b) to place the necessary importance on the protection of creditors by ensuring that clubs settle their liabilities with players, social/tax authorities and other clubs punctually;
  - c) to introduce more discipline and rationality in club football finances;
  - d) to encourage clubs to operate on the basis of their own revenues;
  - e) to encourage responsible spending for the long-term benefit of football;
  - f) to protect the long-term viability and sustainability of European club football.

### Article 3 – Definition of terms

---

- <sup>1</sup> For the purpose of these regulations, the following definitions apply:
- |  |  |
|--|--|
| Agent                                      | A natural person who, for a fee, introduces players to clubs with a view to negotiating or renegotiating an employment contract or introduces two clubs to one another with a view to concluding a transfer agreement.   |
| Agreed-upon procedures                     | In an engagement to perform agreed-upon procedures, an auditor is engaged to carry out those procedures of an audit nature to which the auditor and the entity and any appropriate third parties have agreed and to report on factual findings. The recipients of the report must form their own conclusions from the report by the auditor. The report is restricted to those parties that have agreed to the procedures to be performed since others, unaware of the reasons for the procedures, may misinterpret the results. |
| Break-even information                     | Financial statements and underlying accounting records, to be submitted by a club to assess its compliance with the break-even requirement.  |
| Club licensing criteria                    | Requirements, divided into five categories (sporting, infrastructure, personnel and administrative, legal and financial), to be fulfilled by a licence applicant for it to be granted a licence.   |
| Club monitoring requirements               | Requirements to be fulfilled by a licensee that has qualified for a UEFA club competition.   |
| Costs of acquiring a player's registration | Payments to third parties for the acquisition of a player's registration, excluding any internal development or other costs. They include: <ul style="list-style-type: none"><li>• transfer fee payable for securing the registration;</li><li>• transfer fee levy (if applicable); and</li><li>• other direct costs of obtaining the player's registration (including training compensation and solidarity contributions).</li></ul>  |
| Current financial information              | Information in respect of the financial performance and position of the club in the  |

	reporting period ending in the year that the UEFA club competitions commence (reporting period T).
Deadline for submission of the application to the licensor	The date by which each licensor requires licence applicants to have submitted all relevant information for their applications for a licence.
Event or condition of major economic importance	An event or condition that is considered material to the financial statements of the reporting entity and would require a different (adverse) presentation of the results of the operations, financial position and net assets of the reporting entity if it occurred during the preceding financial reporting period or interim period.
Future financial information	Information in respect of the financial performance and position of the club in the reporting periods ending in the years following commencement of the UEFA club competitions (reporting periods T+1 and later).
Group	A parent and all its subsidiaries. A parent is an entity that has one or more subsidiaries. A subsidiary is an entity, including an unincorporated entity such as a partnership, that is controlled by another entity (known as the parent).
Interim period	A financial reporting period that is shorter than a full financial year. It does not necessarily have to be a six-month period.
International Financial Reporting Standards (IFRS)	Standards and Interpretations adopted by the International Accounting Standards Board (IASB). They comprise: <ul style="list-style-type: none"> <li>• International Financial Reporting Standards;</li> <li>• International Accounting Standards; and</li> <li>• Interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).</li> </ul>
International Standards on:	The International Auditing and Assurance Standards Board (IAASB) issues International Standards on:
<ul style="list-style-type: none"> <li>• Auditing (ISA)</li> <li>• Review Engagements</li> </ul>	

- (ISRE)
- Related Services (ISRS)
  - Auditing (ISA) which are to be applied in audits of historical financial information.
  - Review Engagements (ISRE) which are to be applied in reviews of historical financial information.
  - Related Services (ISRS) which are to be applied to compilation engagements and engagements to apply agreed-upon procedures to information.

Additional information about the IAASB, ISA, ISRE and ISRS is available from [www.ifac.org](http://www.ifac.org).

**Historic financial information** Information in respect of the financial performance and position of the club in the reporting periods ending in the years prior to commencement of the UEFA club competitions (reporting periods T-1 and earlier).

**Licence** Certificate granted by the licensor confirming fulfilment of all minimum criteria by the licence applicant as part of the admission procedure for entering UEFA club competitions.

**Licence applicant** Legal entity fully and solely responsible for the football team participating in national and international club competitions which applies for a licence.

**Licensee** Licence applicant that has been granted a licence by its licensor.

**Licence season** UEFA season for which a licence applicant has applied for/been granted a licence. It starts the day following the deadline for submission of the list of licensing decisions by the licensor to UEFA and lasts until the same deadline the following year.

**Licensor** Body that operates the club licensing system, grants licences and undertakes certain tasks in respect of the club monitoring process.

**List of licensing decisions** List submitted by the licensor to UEFA containing, among other things, information about the licence applicants that have undergone the licensing process and been granted a licence by the national decision-making bodies in the format established and

	communicated by UEFA.
Materiality	Omissions or misstatements of items or information are material if they could individually or collectively influence the decisions of users taken on the basis of the information submitted by the club. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances or context. The size or nature of the item or information, or a combination of both, could be the determining factor.
Minimum criteria	Criteria to be fulfilled by a licence applicant in order to be granted a licence.
National accounting practice	The accounting and reporting practices and disclosures required of entities in a particular country.
Net debt	A club's net player transfers balance (i.e. net of accounts receivable from players' transfers and accounts payable from players' transfers) and net borrowings (i.e. bank overdrafts and loans, owner and/or related party loans and finance leases less cash and cash equivalents). Net debt does not include trade or other payables.
Reporting entity/entities	A registered member and/or football company or group which must provide the licensor with information for both club licensing and club monitoring purposes.
Reporting period	A financial reporting period ending on a statutory closing date, whether this is a year or not.
Significant change	An event that is considered material to the documentation previously submitted to the licensor and that would require a different presentation if it occurred prior to submission of the documentation.
Stadium	The venue for a competition match including, but not limited to, all surrounding properties and facilities (for example offices, hospitality areas, press centre and accreditation centre).
Statutory closing date	The annual accounting reference date of a reporting entity.

Supplementary information      Financial information to be submitted to the licensor in addition to the financial statements if the minimum requirements for disclosure and accounting are not met.

The supplementary information must be prepared on a basis of accounting, and accounting policies, consistent with the financial statements. Financial information must be extracted from sources consistent with those used for the preparation of the annual financial statements. Where appropriate, disclosures in the supplementary information must agree with, or be reconciled to, the relevant disclosures in the financial statements.

Training facilities                  The venue(s) at which a club's registered players undertake football training and/or youth development activities on a regular basis.

<sup>2</sup> In these regulations, the use of the masculine form refers equally to the feminine.

## **Part II. UEFA Club Licensing**

### **Article 4 – Exception policy**

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The UEFA administration may grant an exception to the provisions set out in part II within the limits set out in Annex I.

### **Chapter 1: Licensor**

#### **Article 5 – Responsibilities**

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- 1 The licensor is a UEFA member association and governs the club licensing system.
- 2 Under certain conditions as set out in Annex II, a UEFA member association may delegate the club licensing system to its affiliated league. Vis-à-vis UEFA, the UEFA member association remains liable and responsible for the proper implementation of the club licensing system, regardless of whether there is delegation or not.
- 3 The licensor must ensure that all applicable provisions defined in part II of these regulations are integrated into national club licensing regulations, which must be submitted in one of the UEFA official languages to the UEFA administration for review according to the procedure defined in Annex III.
- 4 In particular the licensor must:
  - a) establish an appropriate licensing administration as defined in Article 6;
  - b) establish at least two decision-making bodies as defined in Article 7;
  - c) set up a catalogue of sanctions as defined in Article 8;
  - d) define the core process as defined in Article 9;
  - e) assess the documentation submitted by the clubs, consider whether this is appropriate and determine whether each criterion has been met and what further information, if any, is needed in accordance with Article 10;
  - f) ensure equal treatment of all clubs applying for a licence and guarantee the clubs full confidentiality with regard to all information provided during the licensing process as defined in Article 11;
  - g) determine whether a licence can be granted.

#### **Article 6 – The licensing administration**

---

- 1 The tasks of the licensing administration include:
  - a) preparing, implementing and further developing the club licensing system;
  - b) providing administrative support to the decision-making bodies;

- c) assisting, advising and monitoring the licensees during the season;
  - d) informing UEFA of any event occurring after the licensing decision that constitutes a significant change to the information previously submitted to the licensor;
  - e) serving as the contact point for and sharing expertise with the licensing departments of other UEFA member associations and with UEFA itself.
- 2 At least one staff member or an external financial adviser must have a financial background and a diploma in accountancy/auditing recognised by the appropriate national body (e.g. national trade association), or must have several years' experience in the above matters (a "recognition of competence").

### **Article 7 – The decision-making bodies**

---

- 1 The decision-making bodies are the First Instance Body and the Appeals Body and must be independent of each other.
- 2 The First Instance Body decides on whether a licence should be granted to an applicant on the basis of the documents provided by the submission deadline set by the licensor and on whether a licence should be withdrawn.
- 3 The Appeals Body decides on appeals submitted in writing and makes a final decision on whether a licence should be granted.
- 4 Appeals may only be lodged by:
- a) a licence applicant who received a refusal from the First Instance Body;
  - b) a licensee whose licence has been withdrawn by the First Instance Body; or
  - c) the licensor, the competent body of which must be defined (e.g. Licensing Manager).
- 5 The Appeals Body makes its decision based on the decision of the First Instance Body and all the evidence provided by the licence applicant or licensor with its written request for appeal and by the set deadline.
- 6 If a UEFA member association has an arbitration tribunal specified in its statutes, this court decides whether the club licensing system comes under its authority. In this respect, particular attention must be paid to the relevant deadlines for entering the UEFA club competitions.
- 7 Members of the decision-making bodies are elected or appointed in accordance with the UEFA member association statutes and must:
- a) act impartially in the discharge of their duties;
  - b) abstain if there is any doubt as to their independence from the licence applicant or if there is a conflict of interest. In this connection, the independence of a member may not be guaranteed if he/she or any member

of his/her family (spouse, child, parent or sibling) is a member, shareholder, business partner, sponsor or consultant of the licence applicant;

- c) not act simultaneously as licensing manager;
  - d) not belong simultaneously to a judicial statutory body of the licensor;
  - e) include at least one qualified lawyer and an auditor holding a qualification recognised by the appropriate national professional body.
- 8 Members of the Appeals Body must not belong simultaneously either to the administrative staff or to any statutory decision-making body or committee of the UEFA member association or its affiliated league.
- 9 The quorum of the decision-making bodies must be at least three members. In case of a tie, the chairman has the casting vote.
- 10 The decision-making bodies must operate according to procedural rules – to be defined by the licensor – that, as a minimum, must regulate the following standards:
- a) Deadlines (e.g. submission deadline, etc.)
  - b) Safeguards of the principle of equal treatment
  - c) Representation (e.g. legal representation, etc.)
  - d) The right to be heard (e.g. convocation, hearing)
  - e) Official language (if applicable)
  - f) Time limit for requests (e.g. calculation, compliance, interruption, extension)
  - g) Time limit for appeal
  - h) Effects of appeal (e.g. no delaying effect)
  - i) Type of evidence requested
  - j) Burden of proof (e.g. licence applicant has burden of proof)
  - k) Decision (e.g. in writing with reasoning, etc.)
  - l) Grounds for complaints
  - m) Content and form of pleading
  - n) Deliberation / hearings
  - o) Cost of procedure / administrative fee / deposit

## **Article 8 – Catalogue of sanctions**

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To guarantee an appropriate assessment process, the UEFA member association must:

- a) set up a catalogue of sanctions for the club licensing system for the non-respect of the criteria referred to in Article 16(2) which may include a caution, a fine, the obligation to submit evidence or fulfil certain conditions by a certain deadline, etc. It falls to the competent national bodies to fix these sanctions against the licence applicants/licensees;

- b) refer to the national disciplinary regulations in respect of violations of the licensing regulations (e.g. submission of falsified documents, non-respect of deadlines, sanctions against individuals, etc.).

### **Article 9 – *The core process***

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- 1 The licensor must define the core process for the verification of the criteria and thus control the issuing of licences.
- 2 The core process starts at a time defined by the licensor and ends on submission of the list of licensing decisions to the UEFA administration by the deadline communicated by the latter.
- 3 The core process consists of the following minimum key steps:
  - a) Submission of the licensing documentation to the licence applicants;
  - b) Return of the licensing documentation to the licensor;
  - c) Assessment of the documentation by the licensing administration;
  - d) Submission of the written representation letter to the licensor;
  - e) Assessment and decision by the decision-making bodies;
  - f) Submission of the list of licensing decisions to the UEFA administration.
- 4 The deadlines for the above key process steps must be clearly defined and communicated to the clubs concerned in a timely manner by the licensor.

### **Article 10 – *Assessment procedures***

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The licensor defines the assessment methods, except those used to verify compliance with the financial criteria for which specific assessment processes must be followed as set out in Annex IX.

### **Article 11 – *Equal treatment and confidentiality***

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- 1 The licensor ensures equal treatment of all licence applicants during the core process.
- 2 The licensor guarantees the licence applicants full confidentiality with regard to all information submitted during the licensing process. Anyone involved in the licensing process or appointed by the licensor must sign a confidentiality agreement before assuming their tasks.

## **Chapter 2: Licence Applicant and Licence**

### **Article 12 – Definition of licence applicant**

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- 1 A licence applicant may only be a football club, i.e. a legal entity fully responsible for a football team participating in national and international competitions which either:
  - a) is a registered member of a UEFA member association and/or its affiliated league (hereinafter: registered member); or
  - b) has a contractual relationship with a registered member (hereinafter: football company).
- 2 The membership and the contractual relationship (if any) must have lasted – at the start of the licence season – for at least three consecutive years. Any alteration to the club’s legal form or company structure (including, for example, changing its headquarters, name or club colours, or transferring stakeholdings between different clubs) during this period in order to facilitate its qualification on sporting merit and/or its receipt of a licence to the detriment of the integrity of a competition is deemed as an interruption of membership or contractual relationship (if any) within the meaning of this provision.

### **Article 13 – General responsibilities of the licence applicant**

---

- 1 The licence applicant must provide the licensor with:
  - a) all necessary information and/or relevant documents to fully demonstrate that the licensing obligations are fulfilled; and
  - b) any other document relevant for decision-making by the licensor.
- 2 This includes information on the reporting entity/entities in respect of which sporting, infrastructure, personnel and administrative, legal and financial information is required to be provided.
- 3 Any event occurring after the submission of the licensing documentation to the licensor representing a significant change to the information previously submitted must be promptly notified to the licensor.

### **Article 14 – Licence**

---

- 1 Clubs which qualify for the UEFA club competitions on sporting merit or through the UEFA fair play rankings must obtain a licence issued by their licensor according to the national licensing regulations, except where Article 15 applies.
- 2 A licence expires without prior notice at the end of the season for which it was issued.

- 3 A licence cannot be transferred.
- 4 A licence may be withdrawn by the licensor's decision-making bodies if:
- a) for any reason a licensee becomes insolvent and enters liquidation, as determined by the applicable national law (where a licensee becomes insolvent but enters administration during the season, for so long as the purpose of the administration is to rescue the club and its business, the licence should not be withdrawn);
  - b) any of the conditions for the issuing of a licence are no longer satisfied; or
  - c) the licensee violates any of its obligations under the national club licensing regulations.
- 5 As soon as a licence withdrawal is envisaged, the UEFA member association must inform the UEFA administration accordingly.

#### **Article 15 – *Special permission***

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- 1 If a club qualifies for a UEFA club competition on sporting merit but has not undergone any licensing process at all or has undergone a licensing process which is lesser/not equivalent to the one applicable for top division clubs, because it belongs to a division other than the top division, the UEFA member association of the club concerned may – on behalf of such a club – request an extraordinary application of the club licensing system in accordance with Annex IV.
- 2 Based on such an extraordinary application, UEFA may grant special permission to the club to enter the corresponding UEFA club competition. Such an extraordinary application applies only to the specific club and for the season in question.

## **Chapter 3: Licensing Criteria**

### **Article 16 – General**

---

- <sup>1</sup> With the exception of those defined in paragraph 2 below, the criteria defined in this chapter must be fulfilled by clubs in order for them to be granted a licence to enter the UEFA club competitions.
- <sup>2</sup> Non-fulfilment of the criteria defined in Articles 22, 23, 26, 35, 39, 41 and 42 does not lead to refusal of a licence but to a sanction defined by the licensor according to its catalogue of sanctions (see Article 8).

## **I. SPORTING CRITERIA**

### **Article 17 – Youth development programme**

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- <sup>1</sup> The licence applicant must have a written youth development programme approved by the licensor.
- <sup>2</sup> The programme must cover at least the following areas:
  - a) Objectives and youth development philosophy;
  - b) Organisation of youth sector (organisational chart, bodies involved, relation to licence applicant, youth teams etc.);
  - c) Personnel (technical, medical, administrative etc.) and minimum qualifications required;
  - d) Infrastructure available for youth sector (training and match facilities, other);
  - e) Financial resources (available budget, contribution by licence applicant, players or local community etc.);
  - f) Football education programme for the different age groups (playing skills, technical, tactical and physical);
  - g) Education programme on the *Laws of the Game*;
  - h) Education programme on anti-doping;
  - i) Medical support for youth players (including medical checks);
  - j) Review and feedback process to evaluate the results and the achievements of the set objectives;
  - k) Validity of the programme (at least three years but maximum seven).
- <sup>3</sup> The licence applicant must further ensure that:
  - a) every youth player involved in its youth development programme has the possibility to follow mandatory school education in accordance with national law; and

- b) no youth player involved in its youth development programme is prevented from continuing their non-football education.

#### **Article 18 – Youth teams**

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- 1 The licence applicant must at least have the following youth teams within its legal entity or affiliated to its legal entity:
  - a) At least two youth teams within the age range of 15 to 21;
  - b) At least one youth team within the age range of 10 to 14;
  - c) At least one under-10 team.
- 2 Each youth team, except of the under-10s, must take part in official competitions or programmes played at national, regional or local level and recognised by the UEFA member association.

#### **Article 19 – Medical care of players**

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The licence applicant must establish and apply a policy to ensure that all players eligible to play for its first squad undergo a yearly medical examination in accordance with the relevant provisions of the UEFA club competition regulations.

#### **Article 20 – Registration of players**

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All the licence applicant's players, including youth players above the age of 10, must be registered with the UEFA member association and/or its affiliated league in accordance with the relevant provisions of the *FIFA Regulations on the Status and Transfer of Players*.

#### **Article 21 – Written contract with professional players**

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All licence applicants' professional players must have a written contract with the licence applicant in accordance with the relevant provisions of the *FIFA Regulations on the Status and Transfer of Players*.

#### **Article 22 – Refereeing matters and Laws of the Game**

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- 1 The licence applicant must attend a session or an event on refereeing matters provided by the UEFA member association or with its collaboration during the year prior to the licence season.
- 2 As a minimum, the first squad captain or his replacement and the first squad head coach or the assistant head coach must attend this session or event.

### **Article 23 – Racial equality practice**

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The licence applicant must establish and apply a policy to tackle racism and discrimination in football in line with UEFA's 10-point plan on racism as defined in the *UEFA Safety and Security Regulations*.

## **II. INFRASTRUCTURE CRITERIA**

### **Article 24 – Stadium for UEFA club competitions**

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- 1 The licence applicant must have a stadium available for UEFA club competitions which must be within the territory of the UEFA member association and approved by the UEFA member association.
- 2 If the licence applicant is not the owner of a stadium, it must provide a written contract with the owner(s) of the stadium(s) it will use.
- 3 It must be guaranteed that the stadium(s) can be used for the licence applicant's UEFA home matches during the licence season.
- 4 The stadium(s) must fulfil the minimum requirements defined in the *UEFA Stadium Infrastructure Regulations* and be classified at least as a UEFA category 2 stadium.

### **Article 25 – Training facilities – Availability**

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- 1 The licence applicant must have training facilities available throughout the year.
- 2 If the licence applicant is not the owner of the training facilities, it must provide a written contract with the owner(s) of the training facilities.
- 3 It must be guaranteed that the training facilities can be used by all teams of the licence applicant during the licence season, taking into account its youth development programme.

### **Article 26 – Training facilities – Minimum infrastructure**

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As a minimum, the infrastructure of the training facilities must include outdoor and indoor facilities, dressing rooms and a medical room.

### **III. PERSONNEL AND ADMINISTRATIVE CRITERIA**

#### **Article 27 – Club secretariat**

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The licence applicant must have appointed an adequate number of skilled secretarial staff according to its needs to run its daily business. It must have an office space in which to run its administration. It must ensure that its office is open to communicate with the licensor and the public and that it is equipped, as a minimum, with phone, fax and email facilities.

#### **Article 28 – General manager**

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The licence applicant must have appointed a general manager who is responsible for running its operative matters.

#### **Article 29 – Finance officer**

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- 1 The licence applicant must have appointed a qualified finance officer who is responsible for its financial matters.
- 2 The finance officer must hold as a minimum one of the following qualifications:
  - a) Diploma of certified public accountant;
  - b) Diploma of qualified auditor;
  - c) “Recognition of competence” issued by the licensor based on practical experience in financial matters of at least three years.

#### **Article 30 – Media officer**

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- 1 The licence applicant must have appointed a qualified media officer who is responsible for media matters.
- 2 The media officer must hold as a minimum one of the following qualifications:
  - a) Diploma in journalism;
  - b) Media officer diploma provided by the licensor or an organisation recognised by the licensor;
  - c) “Recognition of competence” issued by the licensor, based on practical experience in such matters of at least one year.

#### **Article 31 – Medical doctor**

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- 1 The licence applicant must have appointed at least one doctor who is responsible for medical support during matches and training as well as for doping prevention.
- 2 The qualification of the medical doctor must be recognised by the appropriate national health authorities.

- <sup>3</sup> He must be duly registered with the UEFA member association and/or the affiliated league.

### **Article 32 – Physiotherapist**

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- <sup>1</sup> The licence applicant must have appointed at least one physiotherapist who is responsible for medical treatment and massages for the first squad during training and matches.
- <sup>2</sup> The qualification of the physiotherapist must be recognised by the appropriate national health authorities.
- <sup>3</sup> He must be duly registered with the UEFA member association and/or the affiliated league.

### **Article 33 – Security officer**

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- <sup>1</sup> The licence applicant must have appointed a qualified security officer who is responsible for safety and security matters.
- <sup>2</sup> The security officer must hold as a minimum one of the following qualifications:
- a) Certificate as policeman or security person in accordance with to national law;
  - b) Safety and security diploma from a specific course run by the licensor or by a state-recognised organisation;
  - c) “Recognition of competence” issued by the licensor, based on participation in a specific safety and security course run by the UEFA member association and practical experience in such matters of at least one year.

### **Article 34 – Stewards**

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The licence applicant must have engaged qualified stewards to ensure safety and security at home matches.

### **Article 35 – Supporter liaison officer**

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- <sup>1</sup> The licence applicant must have appointed a liaison officer to act as the key contact point for supporters.
- <sup>2</sup> The supporter liaison officer must regularly attend meetings with the club’s management and must collaborate with the security officer on safety and security-related matters.

### **Article 36 – Head coach of first squad**

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- 1 The licence applicant must have appointed a qualified head coach who is responsible for football matters of the first squad.
- 2 The head coach must hold one of the following minimum coaching qualifications:
  - a) Highest available UEFA coaching diploma of the UEFA member association of the territory on which the licence applicant is situated according to the association's membership status under the *UEFA Coaching Convention*.
  - b) Valid non-UEFA coaching diploma which is equivalent to the one required under a) above and recognised by UEFA as such;
  - c) "Recognition of competence" issued before the 2009/10 season by the UEFA member association based on relevant practical experience of at least five years as head coach.

### **Article 37 – Assistant coach of first squad**

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- 1 The licence applicant must have appointed a qualified coach who assists the head coach in all football matters of the first squad.
- 2 The assistant coach of the first squad must hold one of the following minimum coaching qualifications:
  - a) Second-highest available UEFA coaching diploma of the UEFA member association of the territory on which the licence applicant is situated according to the association's membership status under the *UEFA Coaching Convention*;
  - b) Valid non-UEFA coaching diploma which is equivalent to the one required under a) above and recognised by UEFA as such;
  - c) "Recognition of competence" issued before the 2009/10 season by the UEFA member association based on relevant practical experience of at least five years as assistant coach.

### **Article 38 – Head of youth development programme**

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- 1 The licence applicant must have appointed a qualified head of the youth development programme who is responsible for running the daily business and the technical aspects of the youth sector.
- 2 The head of the youth development programme must hold one of the following minimum coaching qualifications:
  - a) Second-highest available UEFA coaching diploma of the UEFA member association of the territory on which the licence applicant is situated according to the association's membership status under the *UEFA Coaching Convention*;

- b) Valid non-UEFA coaching diploma which is equivalent to the one required under a) above and recognised by UEFA as such;
- c) UEFA Elite Youth A-Diploma as issued by the UEFA member association and recognised by UEFA;
- d) “Recognition of competence” issued before the 2009/10 season by the UEFA member association based on relevant practical experience of at least two years as head of a youth development programme.

**Article 39 – Youth coaches**

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- 1 For each mandatory youth team, the licence applicant must have appointed at least one qualified coach who is responsible for all football matters related to this team.
- 2 At least one youth team coach must hold one of the following minimum coaching qualifications:
  - a) Second-highest available UEFA coaching diploma of the UEFA member association of the territory on which the licence applicant is situated according to the association’s membership status under the *UEFA Coaching Convention*;
  - b) Valid non-UEFA coaching diploma which is equivalent to the one required under a) above and recognised by UEFA as such;
  - c) UEFA Elite Youth A-Diploma as issued by the UEFA member association and recognised by UEFA;
  - d) “Recognition of competence” issued before the 2009/10 season by the UEFA member association based on a minimum of five years’ relevant practical experience.
- 3 The other youth coaches must hold the minimum qualification as defined by the UEFA member association.

**Article 40 – Common provisions applicable to UEFA coaching qualifications under the UEFA Coaching Convention**

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- 1 A holder of the required UEFA coaching diploma within the meaning of Articles 36 to 39 is considered a coach who, in accordance with the UEFA implementation provisions of the *UEFA Coaching Convention*, has:
  - a) been issued a UEFA coaching diploma by a UEFA member association; or
  - b) at least started the required UEFA coaching diploma course. Simple registration for the required diploma course is not sufficient to meet this criterion.

- 2 If the *UEFA Coaching Convention* membership status of a UEFA member association is upgraded (e.g. from A-level to Pro-level), the following apply:
  - a) with regard to the provision under paragraph 1a) above the new highest or second-highest available UEFA coaching diploma (as applicable) will become mandatory for the licence applicant as from the third licence season after approval of the association's new membership status by the competent UEFA body. After this transitional period, only a holder of the newly required UEFA coaching diploma will be deemed in compliance with the criterion;
  - b) with regard to the provision under paragraph 1b) above, only participation in an education course for the newly available highest or second-highest UEFA coaching diploma (as applicable) will be deemed in compliance with the criterion.
- 3 In case of a partnership agreement under the *UEFA Coaching Convention*, the UEFA coaching qualifications offered by the UEFA member association with limited *UEFA Coaching Convention* membership status apply.
- 4 UEFA reserves the right to review the consequences of any downgrade in *UEFA Coaching Convention* membership status (e.g. from Pro-level to A-level) as well as those of partnership agreements with the UEFA member associations in question, and to take decisions on a case-by-case basis in this respect.
- 5 All qualified coaches must be duly registered with their UEFA member association and/or its affiliated league.

#### **Article 41 – Rights and duties**

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The rights and duties of the personnel defined in Articles 28 to 39 above must be defined in writing.

#### **Article 42 – Duty of replacement during the season**

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- 1 If a function defined in Articles 28 to 39 becomes vacant during the licence season, the licensee must ensure that, within a period of a maximum of 60 days, the function is taken over by someone who holds the required qualification.
- 2 In the event that a function becomes vacant due to illness or accident, the licensor may grant an extension to the 60-day period only if reasonably satisfied that the person concerned is still medically unfit to resume his duties.
- 3 The licensee must promptly notify the UEFA member association of any such replacement.

## IV. LEGAL CRITERIA

### **Article 43 – Declaration in respect of participation in UEFA club competitions**

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- <sup>1</sup> The licence applicant must submit a legally valid declaration confirming the following:
- a) It recognises as legally binding the statutes, regulations, directives and decisions of FIFA, UEFA, the UEFA member association and, if any, the national league as well as the jurisdiction of the Court of Arbitration for Sport (CAS) in Lausanne as provided in the relevant articles of the *UEFA Statutes*;
  - b) At national level it will play in competitions recognised and endorsed by the UEFA member association (e.g. national championship, national cup);
  - c) At international level it will participate in competitions recognised by UEFA or FIFA (to avoid any doubt, this provision does not relate to friendly matches);
  - d) It will promptly inform the licensor about any significant change, event or condition of major economic importance;
  - e) It will abide by and observe the club licensing regulations of the UEFA member association;
  - f) It will abide by and observe the *UEFA Club Licensing and Financial Fair Play Regulations*;
  - g) All submitted documents are complete and correct;
  - h) It authorises the competent national club licensing administration and national club licensing bodies, the UEFA administration, the Club Financial Control Panel and the UEFA Organs for the Administration of Justice to examine any relevant document and seek information from any relevant public authority or private body in accordance with national law;
  - i) It acknowledges that UEFA reserves the right to execute compliance audits at national level in accordance with Article 71.
- <sup>2</sup> The declaration must be executed by an authorised signatory of the licence applicant no more than three months prior to the deadline for its submission to the licensor.

### **Article 44 – Minimum legal information**

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- <sup>1</sup> The licence applicant must submit a copy of its current, valid statutes (e.g. company act).
- <sup>2</sup> The licence applicant must further submit an extract from a public register (e.g. trade register) or an extract from the UEFA member association's club register containing the following minimum information:
- a) Name;
  - b) Address of headquarters;

- c) Legal form;
- d) List of authorised signatories;
- e) Type of required signature (e.g. individual, collective).

#### **Article 45 – *Written contract with a football company***

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- 1 If the licence applicant is a football company as defined in Article 12(1b), it must provide a written contract of assignment with a registered member.
- 2 The contract must stipulate the following, as a minimum:
  - a) The football company must comply with the applicable statutes, regulations, directives and decisions of FIFA, UEFA, the UEFA member association and its affiliated league.
  - b) The football company must not further assign its right to participate in a competition at national or international level.
  - c) The right of this football company to participate in such a competition ceases to apply if the assigning club's membership of the association ceases.
  - d) If the football company is put into bankruptcy or enters liquidation, the right to apply for a licence to enter an international and/or national competition reverts to the registered member. For the sake of clarity, should the licence have already been granted to the football company, then it cannot be transferred from the football company to the registered member; only the right to apply for a licence the following season reverts to the registered member.
  - e) The UEFA member association must be reserved the right to approve the name under which the football company participates in the national competitions.
  - f) The football company must, at the request of the competent national arbitration tribunal or CAS, provide views, information, and documents on matters regarding the football company's participation in the national and/or international competition.
- 3 The contract of assignment and any amendment to it must be approved by the UEFA member association and/or its affiliated league.

## **V. FINANCIAL CRITERIA**

#### **Article 46 – *Reporting entity and reporting perimeter***

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- 1 The licence applicant must provide the licensor with the overall legal group structure (e.g. presented in a chart), duly approved by management.

- 2 This document must include information on any subsidiary, any associated entity and any controlling entity up to the ultimate parent company and ultimate controlling party. Any associated company or subsidiary of such parent must also be disclosed.
- 3 The legal group structure must clearly identify the entity which is the member of the UEFA member association and also mention the following for any subsidiary of the licence applicant:
- a) Name of legal entity;
  - b) Type of legal entity;
  - c) Information on main activity and any football activity;
  - d) Percentage of ownership interest (and, if different, percentage of voting power held);
  - e) Share capital;
  - f) Total assets;
  - g) Total revenues;
  - h) Total equity.
- 4 The licence applicant determines the reporting perimeter, i.e. the entity or combination of entities in respect of which financial information (e.g. single entity, consolidated or combined financial statements) has to be provided in accordance with Annex VII B.
- 5 All compensation paid to players arising from contractual or legal obligations, all costs/proceeds of acquiring/selling a player's registration and all revenues arising from gate receipts must be accounted for in the books of one of the entities included in the reporting perimeter.

#### **Article 47 – Annual financial statements**

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- 1 Annual financial statements in respect of the statutory closing date prior to the deadline for submission of the application to the licensor and prior to the deadline for submission of the list of licensing decisions to UEFA must be prepared and submitted.
- 2 Annual financial statements must be audited by an independent auditor as defined in Annex V.
- 3 The annual financial statements must consist of:
- a) a balance sheet;
  - b) a profit and loss account;
  - c) a cash flow statement;

- d) notes, comprising a summary of significant accounting policies and other explanatory notes; and
  - e) a financial review by management.
- 4 The annual financial statements must meet the minimum disclosure requirements as set out in Annex VI and the accounting principles as set out in Annex VII. Comparative figures in respect of the prior statutory closing date must be provided.
- 5 If the minimum requirements for the content and accounting as set out in paragraph 4 above are not met in the annual financial statements, then the licence applicant must prepare supplementary information in order to meet the minimum information requirements that must be assessed by an independent auditor as defined in Annex V.

#### **Article 48 – *Financial statements for the interim period***

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- 1 If the statutory closing date of the licence applicant is more than six months before the deadline for submission of the list of licensing decisions to UEFA, then additional financial statements covering the interim period must be prepared and submitted.
- 2 The interim period starts the day immediately after the statutory closing date and ends on a date within the six months preceding the deadline for submission of the list of licensing decisions to UEFA.
- 3 Interim financial statements must be reviewed or audited by an independent auditor as defined in Annex V.
- 4 The interim financial statements must consist of:
- a) a balance sheet as of the end of the interim period and a comparative balance sheet as of the end of the immediately preceding full financial year;
  - b) a profit and loss account for the interim period, with comparative profit and loss accounts for the comparable interim period of the immediately preceding financial year;
  - c) a cash flow statement for the interim period, with a comparative statement for the comparable interim period of the immediately preceding financial year;
  - d) specific explanatory notes.
- 5 If the licence applicant did not have to prepare interim financial statements for the comparable interim period of the immediately preceding financial year, comparative figures may refer to the figures from the financial statements of the immediately preceding full financial year.

- 6 The interim financial statements must meet the minimum disclosure requirements as set out in Annex VI. Additional line items or notes must be included if their omission would make the interim financial statements misleading.
- 7 The interim financial statements must follow the same accounting policies as those followed for the preparation of the annual financial statements, except for accounting policy changes made after the date of the most recent full annual financial statements that are to be reflected in the next annual financial statements – in which case details must be disclosed in the interim financial statements.
- 8 If the minimum requirements for the content and accounting as set out in paragraphs 6 and 7 above are not met in the interim financial statements, then the licence applicant must prepare supplementary information in order to meet the minimum information requirements that must be assessed by an independent auditor as defined in Annex V.

#### **Article 49 – No overdue payables towards football clubs**

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- 1 The licence applicant must prove that as at 31 March preceding the licence season it has no overdue payables (as defined in Annex VIII) that refer to transfer activities that occurred prior to the previous 31 December.
- 2 Payables are those amounts due to football clubs as a result of transfer activities, including training compensation and solidarity contributions as defined in the *FIFA Regulations on the Status and Transfer of Players*, as well as any amount due upon fulfilment of certain conditions.
- 3 The licence applicant must prepare and submit to the licensor a transfer payables table, unless the information has already been disclosed to the licensor under existing national transfer requirements (e.g. national clearing house system). It must be prepared even if there have been no transfers/loans during the relevant period.
- 4 The licence applicant must disclose all transfer activities (including loans) undertaken up to 31 December, irrespective of whether there is an amount outstanding to be paid at 31 December. In addition, the licence applicant must disclose all transfers subject to a claim pending before the competent authority under national law or proceedings pending before a national or international football authority or relevant arbitration tribunal.
- 5 The transfer payables table must contain the following information as a minimum (in respect of each player transfer, including loans):
- a) Player (identification by name or number);
  - b) Date of the transfer/loan agreement;

- c) The name of the football club that formerly held the registration;
  - d) Transfer (or loan) fee paid and/or payable (including training compensation and solidarity contribution);
  - e) Other direct costs of acquiring the registration paid and/or payable;
  - f) Amount settled and payment date;
  - g) The balance payable at 31 December in respect of each player transfer including the due date for each unpaid element;
  - h) Any payable as at 31 March (rolled forward from 31 December) including the due date for each unpaid element, together with explanatory comment; and
  - i) Conditional amounts (contingent liabilities) not yet recognised in the balance sheet as of 31 December.
- 6 The licence applicant must reconcile the total liability as per the transfer payables table to the figure in the financial statements balance sheet for 'Accounts payable relating to player transfers' (if applicable) or to the underlying accounting records. The licence applicant is required to report in this table all payables even if payment has not been requested by the creditor.
- 7 The transfer payables table must be approved by management and this must be evidenced by way of a brief statement and signature on behalf of the executive body of the licence applicant.

**Article 50 – No overdue payables towards employees and social/tax authorities**

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- 1 The licence applicant must prove that as at 31 March preceding the licence season it has no overdue payables (as defined in Annex VIII) towards its employees or social and tax authorities as a result of contractual and legal obligations towards its employees that arose prior to the previous 31 December.
- 2 Payables are those amounts due to employees or social and tax authorities as a result of contractual or legal obligations towards employees. Amounts payable to people who, for various reasons, are no longer employed by the applicant fall within the scope of this criterion and must be settled within the period stipulated in the contract and/or defined by law, regardless of how such payables are accounted for in the financial statements.
- 3 The term “employees” includes the following persons:
- a) All professional players according to the applicable *FIFA Regulations on the Status and Transfer of Players*; and
  - b) The administrative, technical, medical and security staff specified in Articles 28 to 33 and 35 to 39.
- 4 The licence applicant must prepare a schedule showing all employees who were employed at any time during the year up to the 31 December preceding the

licence season; i.e. not just those who remain at year end. This schedule must be submitted to the licensor.

- 5 The following information must be given, as a minimum, in respect of each employee:
  - a) Name of the employee;
  - b) Position/function of the employee;
  - c) Start date;
  - d) End date (if applicable);
  - e) The balance payable as at 31 December, including the due date for each unpaid element; and
  - f) Any payable as at 31 March (rolled forward from 31 December), including the due date for each unpaid element, together with explanatory comment.
- 6 The employees schedule must be approved by management and this must be evidenced by way of a brief statement and signature on behalf of the executive body of the licence applicant.
- 7 The licence applicant must reconcile the total liability as per the employee schedule to the figure in the financial statements balance sheet for 'Accounts payable towards employees' (if applicable) or to the underlying accounting records.
- 8 The licence applicant must submit to the auditor and/or the licensor the necessary documentary evidence showing the amount payable (if any), as at 31 December of the year preceding the licence season as well as any payable as at 31 March (rolled forward from 31 December), to the competent social/tax authorities as a result of contractual and legal obligations towards its employees.

#### **Article 51 – *Written representations prior to the licensing decision***

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- 1 Within the seven days prior to the start of the period in which the licensing decision is to be made by the First Instance Body, the licence applicant must make written representations to the licensor.
- 2 The written representations must state whether or not any events or conditions of major economic importance have occurred that may have an adverse impact on the licence applicant's financial position since the balance sheet date of the preceding audited annual financial statements or reviewed interim financial statements (if applicable).
- 3 If any events or conditions of major economic importance have occurred, the management representations letter must include a description of the nature of the event or condition and an estimate of its financial effect, or a statement that such an estimate cannot be made.

- 4 Approval by management must be evidenced by way of a signature on behalf of the executive body of the licence applicant.

## **Article 52 – Future financial information**

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- 1 The licence applicant must prepare and submit future financial information in order to demonstrate to the licensor its ability to continue as a going concern until the end of the licence season if it has breached any of the indicators defined in paragraph 2 below.
- 2 If a licence applicant exhibits any of the conditions described by indicator 1 or 2, it is considered in breach of the indicator:
- a) Indicator 1: *Going concern*
- The auditor's report in respect of the annual or interim financial statements submitted in accordance with Articles 47 and 48 includes an emphasis of matter or a qualified opinion/conclusion in respect of going concern.
- b) Indicator 2: *Negative equity*
- The annual financial statements (including, where required, the supplementary information) submitted in accordance with Article 47 disclose a net liabilities position that has deteriorated relative to the comparative figure contained in the previous year's annual financial statements, or the interim financial statements submitted in accordance with Article 48 (including, where required, the supplementary information) disclose a net liabilities position that has deteriorated relative to the comparative figure at the preceding statutory closing date.
- 3 Future financial information must cover the period commencing immediately after the later of the statutory closing date of the annual financial statements or, if applicable, the balance sheet date of the interim financial statements, and it must cover at least the entire licence season.
- 4 Future financial information consists of:
- a) a budgeted profit and loss account, with comparative figures for the immediately preceding financial year and interim period (if applicable);
- b) a budgeted cash flow, with comparative figures for the immediately preceding financial year and interim period (if applicable);
- c) explanatory notes, including a brief description of each of the significant assumptions (with reference to the relevant aspects of historic financial and other information) that have been used to prepare the budgeted profit and loss account and cash flow statement, as well as of the key risks that may affect the future financial results.

- 5 Future financial information must be prepared, as a minimum, on a quarterly basis.
- 6 Future financial information must be prepared on a consistent basis with the audited annual financial statements and follow the same accounting policies as those applied for the preparation of the annual financial statements, except for accounting policy changes made after the date of the most recent annual financial statements that are to be reflected in the next annual financial statements – in which case details must be disclosed.
- 7 Future financial information must meet the minimum disclosure requirements as set out in Annex VI. Additional line items or notes must be included if they provide clarification or if their omission would make the future financial information misleading.
- 8 Future financial information with the assumptions upon which they are based must be approved by management and this must be evidenced by way of a brief statement and signature on behalf of the executive body of the reporting entity.

## **Part III. UEFA Club Monitoring**

### ***Chapter 1: Rights, duties and responsibilities of parties involved***

#### **Article 53 – Responsibilities of the Club Financial Control Panel**

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- 1 The Club Financial Control Panel:
  - a) selects, conducts and/or decides on compliance audits as defined in Article 71;
  - b) governs the club monitoring process as defined in Article 54 and in particular assesses the information prepared by the licensee and submitted by the licensor, considers whether this is appropriate and determines whether each monitoring requirement has been met and what further information, if any, is needed;
  - c) carries out all other tasks as specified in the relevant articles of the *UEFA Organisational Regulations*.
- 2 In carrying out these responsibilities, the Club Financial Control Panel ensures equal treatment of all licensees and guarantees full confidentiality of all information provided.
- 3 The Club Financial Control Panel will at all times bear in mind the overall objectives of these regulations, in particular to defeat any attempt to circumvent these objectives.

#### **Article 54 – Monitoring process**

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- 1 The monitoring process starts on submission by the licensor of the list of licensing decisions to the UEFA administration and ends at the end of the licence season.
- 2 It consists of the following minimum key steps:
  - a) issuing of the monitoring documentation to the licensor and licensee;
  - b) return of the required completed monitoring documentation by the licensee to the licensor;
  - c) assessment and confirmation of the completeness of each licensee's documents by the licensor;
  - d) submission of the validated documentation by the licensor to the Club Financial Control Panel;
  - e) assessment of the documentation by the Club Financial Control Panel;
  - f) if appropriate, request for additional information by the Club Financial Control Panel;

- g) decision by the Club Financial Control Panel as specified in the relevant provisions of the *UEFA Organisational Regulations*.
- <sup>3</sup> The deadlines for the above monitoring process steps are communicated to the licensors in a timely manner by the UEFA administration.

#### **Article 55 – Responsibilities of the licensor**

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- <sup>1</sup> The licensor must:
- a) communicate the deadlines of the monitoring process to the licensee;
  - b) cooperate with the Club Financial Control Panel in respect of its requests and enquiries;
  - c) as a minimum and in accordance with Annex IX G, ensure and confirm to the Club Financial Control Panel that in respect of the break-even information, all information submitted by the licensee is complete and corresponds to the information previously submitted for club licensing purposes;
  - d) assess and confirm to the Club Financial Control Panel that the selected reporting entity/entities is/are the same as those that fulfilled the club licensing criteria and is/are appropriate for club monitoring purposes;
  - e) inform the Club Financial Control Panel of any relevant information submitted by the licensee in respect of club monitoring requirements and any event occurring after the licensing decision that constitutes a significant change to the information previously submitted by the licensee.
- <sup>2</sup> In carrying out these responsibilities, the licensor ensures equal treatment and guarantees full confidentiality of all information provided.

#### **Article 56 – Responsibilities of the licensee**

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The licensee must:

- a) cooperate with the licensor and the Club Financial Control Panel in respect of their requests and enquiries;
- b) provide the licensor and the Club Financial Control Panel with all necessary information and/or relevant documents to fully demonstrate that the monitoring requirements are fulfilled, as well as any other document requested and deemed to be relevant for club monitoring decision-making (the reporting entity or combination of entities in respect of which information is required to be provided must be the same as for club licensing);
- c) promptly notify the licensor in writing about any subsequent events that constitute a significant change to the information previously submitted to the licensor.

## **Chapter 2: Monitoring requirements**

### **Article 57 – Scope of application and exemption**

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- 1 All licensees that have qualified for a UEFA club competition must comply with the monitoring requirements, i.e. with the break-even requirement (Articles 58 to 63) and with the other monitoring requirements (Articles 64 to 68).
- 2 The following clubs are exempt from the break-even requirement:
  - a) a club that qualifies for a UEFA club competition on sporting merit and is granted special permission as defined in Article 15;
  - b) a licensee that demonstrates it has relevant income and relevant expenses (as defined in Article 58) below EUR 5 million in respect of each of the two reporting periods ending in the two years before commencement of the UEFA club competitions. Such an exemption decision is taken by the Club Financial Control Panel and is final.
- 3 If a licensee's annual financial statements are denominated in a currency other than euros, then to determine whether it should be exempt or not from the break-even requirement, the relevant figures must be converted into euros at the average exchange rate of the reporting period, as published by the European Central Bank.
- 4 If the reporting period for the annual financial statements is greater or less than 12 months, then the threshold of EUR 5m (relevant income/relevant expenses) is adjusted up or down according to the length of the reporting period. The flexed threshold level is then compared to the licensee's relevant income and relevant expenses as appropriate.

## **I. BREAK-EVEN REQUIREMENT**

### **Article 58 – Notion of relevant income and expenses**

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- 1 Relevant income is defined as revenue from gate receipts, broadcasting rights, sponsorship and advertising, commercial activities and other operating income, plus either profit on disposal of player registrations or income from disposal of player registrations, excess proceeds on disposal of tangible fixed assets and finance income. It does not include any non-monetary items or certain income from non-football operations.
- 2 Relevant expenses is defined as cost of sales, employee benefits expenses and other operating expenses, plus either amortisation or costs of acquiring player registrations, finance costs and dividends. It does not include depreciation/impairment of tangible fixed assets, amortisation/impairment of intangible fixed assets (other than player registrations), expenditure on youth

development activities, expenditure on community development activities, any other non-monetary items, finance costs directly attributable to the construction of tangible fixed assets, tax expenses or certain expenses from non-football operations.

- 3 Relevant income and expenses must be calculated and reconciled by the licensee to the annual financial statements and/or underlying accounting records, i.e. historic, current or future financial information as appropriate.
- 4 Relevant income and expenses from related parties must be adjusted to reflect the fair value of any such transactions.
- 5 Relevant income and expenses are further defined in Annex X.

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#### **Article 59 – *Notion of monitoring period***

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- 1 A monitoring period is the period over which a licensee is assessed for the purpose of the break-even requirement. As a rule it covers three reporting periods:
  - a) the reporting period ending in the calendar year that the UEFA club competitions commence (hereinafter: reporting period T), and
  - b) the reporting period ending in the calendar year before commencement of the UEFA club competitions (hereinafter: reporting period T-1), and
  - c) the preceding reporting period (hereinafter: reporting period T-2).As an example, the monitoring period assessed in the licence season 2015/16 covers the reporting periods ending in 2015 (reporting period T), 2014 (reporting period T-1) and 2013 (reporting period T-2).
- 2 By exception to this rule, the first monitoring period assessed in the licence season 2013/14 covers only two reporting periods, i.e. reporting periods ending in 2013 (reporting period T) and 2012 (reporting period T-1).

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#### **Article 60 – *Notion of break-even result***

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- 1 The difference between relevant income and relevant expenses is the break-even result, which must be calculated in accordance with Annex X for each reporting period.
- 2 If a licensee's relevant expenses are less than relevant income for a reporting period, then the club has a break-even surplus. If a club's relevant expenses are greater than relevant income for a reporting period, then the club has a break-even deficit.
- 3 If a licensee's financial statements are denominated in a currency other than euros, then the break-even result must be converted into euros at the average exchange rate of the reporting period, as published by the European Central Bank.

- 4 The aggregate break-even result is the sum of the break-even results of each reporting period covered by the monitoring period (i.e. reporting periods T, T-1 and T-2).
- 5 If the aggregate break-even result is positive (equal to zero or above) then the licensee has an aggregate break-even surplus for the monitoring period. If the aggregate break-even result is negative (below zero) then the licensee has an aggregate break-even deficit for the monitoring period.
- 6 In case of an aggregate break-even deficit for the monitoring period, the licensee may demonstrate that the aggregate deficit is reduced by a surplus (if any) resulting from the sum of the break-even results from the two reporting periods prior to T-2 (i.e. reporting periods T-3 and T-4).

### **Article 61 – Notion of acceptable deviation**

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- 1 The acceptable deviation is the maximum aggregate break-even deficit possible for a club to be deemed in compliance with the break-even requirement as defined in Article 63.
- 2 The acceptable deviation is EUR 5 million. However it can exceed this level up to the following amounts only if such excess is entirely covered by contributions from equity participants and/or related parties:
- a) EUR 45 million for the monitoring period assessed in the licence seasons 2013/14 and 2014/15;
  - b) EUR 30 million for the monitoring period assessed in the licence seasons 2015/16, 2016/17 and 2017/18;
  - c) a lower amount as decided in due course by the UEFA Executive Committee for the monitoring periods assessed in the following years.
- 3 Contributions from equity participants and/or related parties (as specified in Annex X D) are taken into consideration when determining the acceptable deviation if they have occurred and been recognised:
- a) in the financial statements for one of the reporting periods T, T-1 or T-2; or
  - b) in the accounting records up to 31 December of the year of the reporting period T.
- The onus is on the licensee to demonstrate the substance of the transaction, which must have been completed in all respects and without any condition attached. An intention or commitment from owners to make a contribution is not sufficient for such a contribution to be taken into consideration.
- 4 If contributions from equity participants and/or related parties occurring up to 31 December of the year in which the UEFA club competitions commence are recognised in a club's reporting period T+1 and have been taken into consideration to determine of the acceptable deviation in respect of the

monitoring period (T-2, T-1 and T) assessed in the licence season commencing in that same calendar year, then for later monitoring periods the contributions will be considered as having been recognised in reporting period T.

## **Article 62 – Break-even information**

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- 1 By the deadline and in the form communicated by the UEFA administration, the licensee must prepare and submit:
  - a) the break-even information for the reporting period T-1;
  - b) the break-even information for the reporting period T-2, if not already previously submitted;
  - c) the break-even information for the reporting period T, if it has breached any of the indicators defined in paragraph 3 below:
- 2 The break-even information must:
  - a) concern the same reporting entity as that for club licensing as defined in Article 46;
  - b) be approved by management, as evidenced by way of a brief statement confirming the completeness and accuracy of the information, and signature on behalf of the executive body of the licensee.
- 3 If a licensee exhibits any of the conditions described by indicators 1 to 4, it is considered in breach of the indicator:
  - i) **Indicator 1: *Going concern***  
The auditor's report in respect of the annual financial statements (i.e. reporting period T-1) and/or interim financial statements (if applicable) submitted in accordance with Articles 47 and 48 includes an emphasis of matter or a qualified opinion/conclusion in respect of going concern.
  - ii) **Indicator 2: *Negative equity***  
The annual financial statements (i.e. reporting period T-1) submitted in accordance with Article 47 disclose a net liabilities position that has deteriorated relative to the comparative figure contained in the previous year's annual financial statements (i.e. reporting period T-2), or the interim financial statements submitted in accordance with Article 48 disclose a net liabilities position that has deteriorated relative to the comparative figure at the preceding statutory closing date (i.e. reporting period T-1).
  - iii) **Indicator 3: *Break-even result***  
The licensee reports a break-even deficit as defined in Article 60 for either or both of the reporting periods T-1 and T-2.

iv) Indicator 4: *Overdue payables*

The licensee has overdue payables as of 30 June of the year that the UEFA club competitions commence as further defined in Articles 65 and 66.

- 4 In addition, the Club Financial Control Panel reserves the right to ask the licensee to prepare and submit additional information at any time, in particular if the annual financial statements reflect that:
- a) employee benefits expenses exceed 70% of total revenue; or
  - b) net debt exceeds 100% of total revenue.

**Article 63 – Fulfilment of the break-even requirement**

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- 1 The break-even requirement is fulfilled if no indicator (as defined in Article 62(3)) is breached and the licensee has a break-even surplus for reporting periods T-2 and T-1.
- 2 The break-even requirement is fulfilled, even if an indicator (as defined in Article 62(3)) is breached, if:
- a) the licensee has an aggregate break-even surplus for reporting periods T-2, T-1 and T; or
  - b) the licensee has an aggregate break-even deficit for reporting periods T-2, T-1 and T which is within the acceptable deviation (as defined in Article 61) having also taken into account the surplus (if any) in the reporting periods T-3 and T-4 (as defined in Article 60(6)).
- 3 The break-even requirement is not fulfilled if the licensee has an aggregate break-even deficit for reporting periods T-2, T-1 and T exceeding the acceptable deviation (as defined in Article 61) having also taken into account the surplus (if any) in the reporting periods T-3 and T-4 (as defined in Article 60 (6)).
- 4 If the break-even requirement is not fulfilled then, having also taken into consideration other factors defined in Annex XI, the Club Financial Control Panel may refer the case to the Organs for Administration of Justice, which will take the appropriate measure(s) without delay in accordance with the procedure defined in the *UEFA Disciplinary Regulations* for urgent cases.

## II. OTHER MONITORING REQUIREMENTS

### **Article 64 – Future financial information – Enhanced**

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- <sup>1</sup> By the deadline and in the form communicated by the UEFA administration, the licensee must prepare and submit enhanced future financial information that consists of:
- a) an update of the future financial information already submitted to the licensor according to Article 52, if it has breached indicator 1 and/or 2 as defined in Articles 52(2) and 62(3);
  - b) new future financial information, if it has breached indicator 3 and/or 4 as defined in Article 62(3).
- <sup>2</sup> Enhanced future financial information must cover the 12 month period commencing immediately after the statutory closing date of the reporting period T (hereinafter: reporting period T+1).
- <sup>3</sup> Enhanced future financial information must consist of:
- a) a budgeted profit and loss account, with comparative annual figures for the reporting period T (if applicable);
  - b) a budgeted cash flow, with comparative annual figures for the reporting period T (if applicable);
  - c) a budgeted balance sheet, with comparative annual figures for the reporting period T (if applicable);
  - d) explanatory notes, including assumptions that are not unreasonable, risks and a comparison of budget and actual figures; and
  - e) a plan for compliance including the break-even calculation for the reporting period T+1 based on the budgeted profit and loss account and including adjustments to calculate relevant income and expenses as appropriate.
- <sup>4</sup> In addition, the provisions of Articles 52(4) to 52(7) apply by analogy to the enhanced future financial information.

### **Article 65 – No overdue payables towards football clubs – Enhanced**

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- <sup>1</sup> The licensee must prove that as at 30 June of the year in which the UEFA club competitions commence it has no overdue payables (as specified in Annex VIII) towards other football clubs as a result of transfer activities undertaken up to 30 June.
- <sup>2</sup> Payables are those amounts due to football clubs as a result of transfer activities, including training compensation and solidarity contributions as defined in the *FIFA Regulations on the Status and Transfer of Players*, as well as any amount due upon fulfilment of certain conditions.

- 3 By the deadline and in the form communicated by the UEFA administration, the licensee must prepare and submit a transfer payables table, even if there have been no transfers/loans during the relevant period.
- 4 The licensee must disclose all transfer activities (including loans) undertaken up to 30 June, irrespective of whether there is an amount outstanding at 30 June. In addition, the licensee must disclose all transfers subject to legal proceedings before a national or international sporting body, arbitration tribunal or state court.
- 5 The transfer payables table must contain the following information as a minimum (in respect of each player transfer, including loans):
- a) Player (identification by name or number);
  - b) Date of the transfer/loan agreement;
  - c) The name of the football club that formerly held the registration;
  - d) Transfer (or loan) fee paid and/or payable (including training compensation and solidarity contributions);
  - e) Other direct costs of acquiring the registration paid and/or payable;
  - f) Amount settled and payment date;
  - g) Balance payable at 30 June in respect of each player transfer;
  - h) Due date(s) for each unpaid element of the transfer payables; and
  - i) Conditional amounts (contingent liabilities) not yet recognised in the balance sheet as of 30 June.
- 6 The licensee must reconcile the total liability as per the transfer payables table to the figure in the financial statements balance sheet for 'Accounts payable relating to player transfers' (if applicable) or to underlying accounting records. The licensee is required to report in this table all payables even if payment has not been requested by the creditor.
- 7 The transfer payables table must be approved by management and this must be evidenced by way of a brief statement and signature on behalf of the executive body of the licensee.
- 8 If the licensee is in breach of indicator 4 as defined in Article 62(3), then it must also prove that, as at the following 30 September, it has no overdue payables towards other football clubs as a result of transfer activities undertaken up to 30 September. Paragraphs 2 to 7 above apply accordingly.

**Article 66 – No overdue payables towards employees and/or social/tax authorities – Enhanced**

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- 1 The licensee must prove that as at 30 June of the year in which the UEFA club competitions commence it has no overdue payables (as specified in Annex VIII) towards its employees and/or social/tax authorities (as defined in paragraphs 2 and 3 of Article 50) that arose prior to 30 June.

- 2 By the deadline and in the form communicated by the UEFA administration, the licensee must prepare and submit a declaration confirming the absence or existence of overdue payables towards employees and social/tax authorities.
- 3 The following information must be given, as a minimum, in respect of each overdue payable towards employees, together with explanatory comment:
- a) Name of the employee;
  - b) Position/function of the employee;
  - c) Start date;
  - d) Termination date (if applicable); and
  - e) Balance overdue as at 30 June, including the due date for each overdue element.
- 4 The following information must be given, as a minimum, in respect of each overdue payable towards social/tax authorities, together with explanatory comment:
- a) Name of the creditor;
  - b) Balance overdue as at 30 June, including the due date for each overdue element.
- 5 The declaration must be approved by management and this must be evidenced by way of a brief statement and signature on behalf of the executive body of the licensee.
- 6 If the licensee is in breach of indicator 4 as defined in Article 62(3), then it must also prove that, as at the following 30 September, it has no overdue payables (as specified in Annex VIII) towards employees and/or social/tax authorities that arose prior to 30 September. Paragraphs 2 to 5 above apply accordingly.

#### **Article 67 – Duty to report subsequent events**

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- 1 The licensee must promptly notify the licensor in writing about any significant changes including, but not limited to, subsequent events of major economic importance until at least the end of the licence season.
- 2 The information prepared by management must include a description of the nature of the event or condition and an estimate of its financial effect, or a statement (with supporting reasons) that such an estimate cannot be made.

#### **Article 68 – Common provision**

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If one of the other monitoring requirements as defined in Articles 64 to 67 is not fulfilled, then the Club Financial Control Panel may refer the case to the Organs for Administration of Justice, which will take the appropriate measure(s) without delay in accordance with the procedure defined in the *UEFA Disciplinary Regulations* for urgent cases.

## **Part IV. Final provisions**

### **Article 69 – Authoritative text and language of correspondence**

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- 1 If there is any discrepancy in the interpretation of the English, French, German and Russian versions of these regulations, the English version prevails.
- 2 All correspondence between UEFA and the licensor and/or the licensee must be in one of the three UEFA official languages (English, French and German) and UEFA may ask the licensor and/or licensee for a certified translation of documents at their expense.

### **Article 70 – Annexes**

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All annexes to the present regulations form an integral part thereof.

### **Article 71 – Compliance audits**

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- 1 UEFA and/or its nominated bodies/agencies reserve the right to, at any time, conduct compliance audits of the licensor and, in the presence of the latter, of the licence applicant/licensee.
- 2 Compliance audits aim to ensure that the licensor, as well as the licence applicant/licensee, have fulfilled their obligations and that the licence was correctly awarded at the time of the final decision of the licensor.
- 3 For the purpose of compliance audits, in the event of any discrepancy in the interpretation of the national club licensing regulations between the UEFA official language version and the official national language version, the UEFA official language version is authoritative.

### **Article 72 – Disciplinary procedures**

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Any breach of these regulations may be penalised by UEFA in accordance with the *UEFA Disciplinary Regulations*.

### **Article 73 – Implementing provisions**

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The UEFA administration will take the decisions and adopt, in the form of directives, the detailed provisions necessary for implementing these regulations.

### **Article 74 – Adoption, abrogation and entry into force**

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- 1 These regulations were adopted by the UEFA Executive Committee at its meeting on 27 May 2010.

<sup>2</sup> These regulations replace the *UEFA Club Licensing Regulations (Edition 2008)*.

<sup>3</sup> These regulations come into force on 1 June 2010 with the exception of

- a) Articles 35, 53 to 56 and 64 to 68, which enter into force on 1 June 2011;
- b) Articles 57 to 63, which enter into force for the financial statements of the reporting period ending in 2012, as specified in Article 59(2).

For the UEFA Executive Committee:

Michel Platini  
President

Gianni Infantino  
General Secretary

Nyon, 27 May 2010

## **ANNEX I: Exceptions policy**

### **A. Principle**

1. The UEFA administration may, in accordance with Article 4, grant exceptions on the following matters:
  - a) Non-applicability of a minimum requirement concerning the decision-making bodies or process defined in Article 7 due to national law or any other reason;
  - b) Non-applicability of a minimum requirement concerning the core process defined in Article 9 due to national law or any other reason;
  - c) Non-applicability of a minimum assessment procedure defined in Article 10 due to national law or any other reason;
  - d) Non-applicability of the three-year rule defined in Article 12(2) in case of change of legal form or company structure of the licence applicant on a case-by-case basis;
  - e) Non-applicability of a certain criterion defined in part II, chapter 3 due to national law or any other reason;
  - f) Extension of the introduction period for the implementation of a criterion or a category of criterion defined in part II, chapter 3.
2. Exceptions related to items a), b), c), e) and f) are granted to a UEFA member association and apply to all clubs which are registered with the UEFA member association and which submit a licensing application to enter the UEFA club competitions. Exceptions related to item d) are granted to the individual club that applies for a licence.
3. An exception is granted for a period of one season. Under specific circumstances this period may be extended and the UEFA member association may be placed on an improvement plan.
4. A renewal of the exception is possible upon a new request.

### **B. The process**

1. The UEFA administration acts as the first instance decision-making body on exception requests.
2. An exception request must be in writing, clear and well founded.
3. Exceptions related to items defined under A(1)(a, b, c, e and f) must be submitted by the UEFA member association to the UEFA administration by the deadline communicated by the latter.

4. Exceptions related to the item defined under A(1)(d) can be submitted at any time. A licensor notified of the reorganisation or restructuring of an affiliated club (e.g. change of legal form, merger of clubs, split of club, liquidation or bankruptcy) is responsible for notifying the UEFA administration accordingly as soon as it becomes aware of it.
5. The UEFA administration uses the necessary discretion to grant any exception within the limits of these regulations.
6. The status and situation of football within the territory of the UEFA member association will be taken into account when granting an exception. This encompasses, for example:
  - a) size of the territory, population, geography, economic background;
  - b) size of the UEFA member association (number of clubs, number of registered players and teams, size and quality of the administration of the association, etc.);
  - c) the level of football (professional, semi-professional or amateur clubs);
  - d) status of football as a sport within the territory and its market potential (average attendance, TV market, sponsorship, revenue potential, etc.);
  - e) UEFA coefficient (association and its clubs) and FIFA ranking;
  - f) stadium ownership situation (club, city/community, etc.) within the association;
  - g) support (financial and other) from the national, regional and local authorities, including the national sports ministry.
7. The decision will be communicated to the UEFA member association. The decision must be in writing and state the reasoning. The UEFA member association must then communicate it to all licence applicants concerned.
8. Appeals can be lodged against decisions made by the UEFA administration or, if applicable, the UEFA Executive Committee in writing before the Court of Arbitration for Sport (CAS) in accordance with the relevant provisions laid down in the UEFA Statutes.

## **ANNEX II: Delegation of the licensing responsibility to an affiliated league**

1. The UEFA Executive Committee approves any requests from UEFA member associations to delegate or to withdraw licensing responsibilities to/from an affiliated league as specified in Article 5(2).
2. Such well-founded requests can be made to the UEFA administration at any time. All the requests presented to UEFA in writing before the start of the core process will be considered for effect in the following sporting season.
3. The timing of such a request must be carefully considered. UEFA will not accept any request to delegate or to withdraw licensing responsibilities during the core process in order to ensure continuity.
4. The UEFA Executive Committee may approve a delegation request if the UEFA member association provides written confirmation that the league:
  - a) is affiliated to the UEFA member association and has accepted its statutes, regulations and the decisions of its responsible and competent bodies in writing;
  - b) is responsible for running the top domestic championship;
  - c) has agreed with the UEFA member association on the use of the financial contributions paid by UEFA to the UEFA member associations for club licensing purposes;
  - d) has submitted a written decision by the legislative body of this affiliated league to comply with the following obligations towards UEFA:
    - i) to implement the UEFA club licensing criteria according to the provisions of these regulations and any future amendments thereto into national club licensing regulations;
    - ii) to grant UEFA and its nominated bodies/agencies full necessary access to verify the operation of the club licensing system and the decisions of the decision-making bodies at any time;
    - iii) to allow UEFA and its nominated bodies/agencies to conduct compliance audits at any time of clubs that qualify for a UEFA club competition;
    - iv) to accept any UEFA decision made with regard to exceptions and/or compliance audits;
    - v) to issue the appropriate sanctions to the relevant parties according to UEFA's recommendations or decisions.

## **ANNEX III: Integration of part II of these regulations into national club licensing regulations**

### **A. Principle**

In its national club licensing regulations, each UEFA member association must define the parties involved (licensor, licence applicant, decision-making bodies), their rights and duties, the criteria and the necessary processes in accordance with these regulations for entering UEFA club competitions (see Article 5(3)).

### **B. The process**

1. The UEFA member association must finalise the wording of the national club licensing regulations and send them, translated in one of the UEFA official languages, to the UEFA administration for review by the deadline communicated by the latter.
2. The UEFA member association is responsible for ensuring, and must demonstrate to the UEFA administration, that all applicable provisions of these regulations have been integrated in its national club licensing regulations. Exceptions may be granted by the UEFA administration according to Article 4 of these regulations.
3. The UEFA member association is free to increase or introduce additional minimum criteria in its national club licensing regulations for the purpose of entering the UEFA club competitions.
4. Where introduced by the licensor in its national club licensing regulations, any increased or additional minimum criteria will apply *mutatis mutandis* to entry in the UEFA club competitions.
5. The UEFA member association must confirm to the UEFA administration that all provisions contained in the national club licensing regulations are in compliance with the applicable national law.
6. The UEFA administration reviews the final version of the national club licensing regulations and confirms in writing to the UEFA member association that:
  - a) the applicable provisions of these regulations for the purpose of entering the UEFA club competitions are integrated in the national club licensing regulations;
  - b) the licence issued by the competent national bodies according to the national club licensing regulations is based on the minimum criteria set out in part II of these regulations.
7. The national club licensing regulations must be approved by the competent national bodies and communicated to the licence applicants before the start of

the licensing process and they cannot be amended during the latter process, unless duly approved by UEFA.

8. The UEFA member association is encouraged to apply a licensing system and monitoring requirements to govern participation in its domestic competitions. For this purpose the UEFA member association is free to increase, decrease, or introduce additional minimum criteria in its national club licensing regulations for the purpose of entering the domestic competitions.

## **ANNEX IV: Extraordinary application of the club licensing system**

1. The UEFA administration defines the minimum criteria for the extraordinary application of the club licensing system as specified in Article 15(1) and communicates them to the UEFA member associations at the latest by 31 August of the year preceding the licence season.
2. UEFA member associations must notify the UEFA administration of such extraordinary application requests in writing by 15 April at the latest, stating the name(s) of the club(s) concerned.
3. The UEFA administration defines the necessary deadlines and forwards these to the UEFA member associations concerned.
4. The UEFA member associations are responsible for submitting the criteria to the club(s) concerned for the assessment for the extraordinary procedure at national level. They must also take immediate action with the club(s) concerned to prepare for the extraordinary procedure.
5. The club(s) concerned must provide the necessary documentary proof to the licensor that will assess the club(s) against the fixed minimum standards and forward the following documentation in one of the UEFA official languages to the UEFA administration by the deadline communicated by the latter:
  - a) a written request to apply for special permission to enter the corresponding UEFA club competition;
  - b) a recommendation by the licensor based on its assessment (including the dates and names of the persons having assessed the club(s));
  - c) all documentary evidence provided by the club(s) and the licensor as requested by the UEFA administration;
  - d) any other documents requested by the UEFA administration during the extraordinary procedure.
6. The UEFA administration bases its decision on the documentation received and grants special permission to enter the UEFA club competitions if all the set criteria are fulfilled and if the club(s) ultimately qualifies on sporting merit. The decision will be communicated to the UEFA member association, which has to forward it to the club(s) concerned.
7. If such a club is eliminated on sporting merit during this extraordinary procedure, the UEFA member association concerned has to notify the UEFA administration immediately, and this procedure is immediately terminated, without further decision. Such a terminated procedure cannot be restarted at a later stage.

8. Appeals can be lodged against decisions made by the UEFA administration in writing before the Court of Arbitration for Sport (CAS) in accordance with the relevant provisions laid down in the UEFA Statutes.

## **ANNEX V: Determination of the auditor and auditor's assessment procedures**

### **A. Principle**

1. The auditor must be independent in compliance with the International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants (see Articles 47 and 48).
2. The auditor must be a member of one of the relevant IFAC member bodies. If there is no member of the IFAC within a licence applicant's territory, the licence applicant is required to use an independent auditor who is permitted by national law to carry out audit work.

### **B. Assessment procedures**

1. The auditor must audit the annual financial statements. The auditor's report must:
  - a) include a statement confirming that the audit was conducted in accordance with the International Standards on Auditing or relevant national auditing standards or practices where these comply with, as a minimum, the requirements of the International Standards on Auditing; and
  - b) be submitted to the licensor together with the annual financial statements to form a basis for his licensing decision.
2. The auditor must, as a minimum, review the interim financial statements. The auditor's report must:
  - a) include a statement confirming that the review was conducted in accordance with either the International Standard on Review Engagements (ISRE) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity', or relevant national standards or practices for such reviews where these comply with, as a minimum, the requirements of ISRE 2410; and
  - b) be submitted to the licensor together with the interim financial statements to form a basis for his licensing decision.
3. The auditor must assess supplementary information, if any. The auditor's report of factual findings must:
  - a) include a statement confirming that the assessment was conducted by way of agreed-upon procedures according to the International Standard on Related Services (ISRS) 4400 or relevant national standards or practices where these comply with, as a minimum, the requirements of ISRS 4400; and

- b) be submitted to the licensor together with the supplementary information to form a basis for his licensing decision.
4. Financial information other than the financial statements may be assessed by an auditor. In this case, the auditor's report of factual findings must:
- a) include a statement confirming that the assessment was conducted by way of agreed-upon procedures according to the International Standard on Related Services (ISRS) 4400 or relevant national standards or practices where these comply with, as a minimum, the requirements of ISRS 4400; and
  - b) be submitted to the licensor together with the relevant documentation to form a basis for his licensing decision.

## **ANNEX VI: Minimum disclosure requirements**

### **A. Principle**

1. Notwithstanding the requirements of national accounting practice, the International Financial Reporting Standards or the International Financial Reporting Standard for Small and Medium-sized Entities, the financial criteria of these regulations require licence applicants/licensees to present a specific minimum level of financial information to the licensor as set out in Articles 47, 48, 52 and 64.
2. Each component of the financial statements must be identified clearly. The following information must be displayed prominently, and repeated where necessary within the financial statements, for a proper understanding of the information presented:
  - a) The name (and legal form), domicile and business address of the reporting entity and any change in that information since the previous statutory closing date;
  - b) Whether the financial information covers the individual licence applicant/licensee or a group of entities or some other combination of entities, and a description of the structure and composition of any such group or combination;
  - c) The statutory closing date and the period covered by the financial information (for both current and comparative information); and
  - d) The presentation currency.

### **B. Balance sheet**

1. The minimum requirements for balance sheet items are stated below.

#### Current assets

- i. cash and cash equivalents
- ii. accounts receivable from player transfers
- iii. accounts receivable from group entities and other related parties
- iv. accounts receivable – other
- v. inventories

#### Non current assets

- vi. tangible fixed assets
- vii. intangible assets – players

- viii. intangible assets – other
- ix. investments

#### Current liabilities

- x. bank overdrafts and loans
- xi. accounts payable relating to player transfers
- xii. accounts payable to group entities and other related parties
- xiii. accounts payable to employees
- xiv. accounts payable – other
- xv. tax liabilities
- xvi. short-term provisions

#### Non current liabilities

- xvii. bank and other loans
- xviii. other long-term liabilities
- xix. tax liabilities
- xx. long-term provisions

#### Net assets/liabilities

- xxi. net assets/liabilities

#### Equity

- xxii. treasury shares
- xxiii. issued capital and reserves

2. Management may consider that line items (i) to (xxiii) are best presented on the face of the balance sheet or in the notes.
3. The net assets/liabilities figure, being the aggregate of total assets less total liabilities, is used to determine whether or not the licence applicant/licensee is in breach of indicator 2 described in Articles 52 and 62.

### **C. Profit and loss**

1. The minimum requirements for profit and loss accounts are stated below.

#### Revenue

- i. gate receipts
- ii. sponsorship and advertising
- iii. broadcasting rights
- iv. commercial
- v. other operating income

### Expenses

- vi. cost of sales/materials
- vii. employee benefits expenses
- viii. depreciation and amortisation
- ix. impairment of fixed assets
- x. other operating expenses

### Other

- xi. profit/loss on disposal of assets
- xii. finance costs
- xiii. tax expense
- xiv. profit or loss after taxation.

2. Management may consider that line items (i) to (xiv) are best presented on the face of the profit and loss account or in the notes.

## **D. Cash flow statement**

1. The cash flow statement must report cash flows for the financial period (and comparatives for the previous financial period), classified separately as stated below.
- a) *Cash flow from operating activities*  
Operating activities are the principal revenue-producing activities of the entity and other activities that are not investing or financing activities. Therefore, they generally result from the transactions and other events that enter into the determination of net profit or loss.
  - b) *Cash flows from investing activities*  
Investing activities are the acquisition and disposal of long-term assets (including player registrations) and other investments not included in cash equivalents. The entity must report separately major classes of gross cash receipts and gross cash payments arising from investing activities.
  - c) *Cash flows from financing activities*  
Financing activities are activities that result in changes in the size and composition of the contributed equity share capital and borrowings of the entity. The entity must report separately major classes of gross cash receipts and gross cash payments arising from financing activities.
  - d) *Other cash flows*  
Cash flows from interest and dividends received and paid must each be disclosed separately. Each must be disclosed in a consistent manner from period to period as either operating, investing or financing activities.

Cash flows arising from taxes on income must be disclosed separately and classified as cash flows from operating activities unless they can be appropriately and specifically identified as financing and investing activities.

2. The components of cash and cash equivalents must be disclosed and a reconciliation of the amounts in the cash flow statement presented, with the equivalent items reported in the balance sheet.

## **E. Notes to the financial statements**

1. Notes to the annual financial statements must be presented in a systematic manner. Each item on the face of the balance sheet, profit and loss account and cash flow statement must be cross-referenced to any related information in the notes. The minimum requirements for disclosure in notes are as follows:

- a) *Accounting policies*

The basis of preparation of the financial statements and a summary of the significant accounting policies used.

- b) *Tangible fixed assets*

Each class of tangible fixed asset must be disclosed separately (e.g. property, stadium and equipment).

The following information must be disclosed for each class of tangible fixed asset:

- i) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period; and
- ii) a reconciliation of the carrying amount at the beginning and the end of the period, showing additions, disposals, increases or decreases during the period resulting from revaluations, impairment losses recognised in the profit and loss account during the period (if any), impairment losses reversed in the profit and loss account during the period (if any) and depreciation.

The depreciation methods and useful lives (or depreciation rates) used must be disclosed in the accounting policy notes.

- c) *Intangible fixed assets*

Each class of intangible fixed asset must be disclosed separately (e.g. player registrations, goodwill, other intangible assets).

The following information must be disclosed for each class of intangible fixed asset:

- i) the gross carrying amount and the accumulated amortisation (aggregated with accumulated impairment losses) at the beginning and end of the period; and

- ii) a reconciliation of the carrying amount at the beginning and the end of the period, showing additions, disposals, decreases during the period resulting from impairment losses recognised in the profit and loss account during the period (if any) and amortisation.

For further information and guidance in relation to accounting for player registrations, refer to Annex VII.

d) *Pledged assets and assets under reservation of title*

The existence and amounts of restrictions on title, and property, stadium and equipment pledged as security for liabilities or guarantees, must be disclosed.

The existence and carrying amounts of intangible assets whose title is restricted and the carrying amount of intangible assets pledged as security for liabilities must be disclosed.

e) *Investments*

Investments must include investments in subsidiaries, jointly controlled entities and associates. In respect of investments in subsidiaries, jointly controlled entities and associates, the following information must be disclosed as a minimum for each investment:

- i) name;
- ii) country of incorporation or residence;
- iii) type of business/operations of the entity;
- iv) proportion of ownership interest;
- v) if different, proportion of voting power held; and
- vi) description of the method used to account for the investments.

f) *Bank overdrafts and loans*

For each class of financial liability the following must be disclosed:

- i) information about the extent and nature of the financial instruments, including amounts and duration and any significant terms and conditions that may affect the amount, timing and certainty of future cash flows; and
- ii) the accounting policies and methods adopted, including the criteria for recognition and the basis of measurement applied.

g) *Provisions*

Provisions must be disclosed in separate classes. In determining which provisions may be aggregated to form a class, it is necessary to consider whether the nature of the items is sufficiently similar to be combined in a statement of a single amount.

For each class of provision, the carrying amount at the beginning and end of the period, the amount utilised and any amount released, or credited, in the period must be disclosed.

h) *Issued capital and reserves*

Share capital, other reserves and retained earnings must be disclosed separately.

i) *Share capital*

In relation to share capital issued during the current year the following must be disclosed:

- number and type of shares issued;
- share premium (if applicable) arising on the shares issued;
- total amount raised as a result of the issuing of shares;
- reason for the issuing of new shares.

ii) *Other reserves*

Where items of property, stadium and equipment are stated at revalued amounts, the revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders, must be disclosed.

iii) *Retained earnings*

The balance of retained earnings (i.e. accumulated profit or loss) at the beginning of the reporting period and at the balance sheet date, and the changes during the reporting period, must be disclosed.

i) *Controlling party*

When the reporting entity is controlled by another party, the related party relationship and the name of that party must be disclosed and, if different, that of the ultimate controlling party. This information must be disclosed irrespective of whether any transactions have taken place between the controlling parties and the reporting entity.

j) *Related party transactions*

If there have been transactions between related parties during the periods covered by the financial statements, the reporting entity must disclose the nature of the related party relationship, as well as information about those transactions and outstanding balances, including commitments, necessary for an understanding of the potential effect of the relationship on the financial statements. Items of a similar nature may be disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the reporting entity.

As a minimum, disclosures must include for each related party:

- i) the amount and the nature of the transactions;

- ii) the amount of outstanding balances, including commitments, and:
  - their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and
  - details of any guarantees given or received;
- iii) provisions for doubtful debts related to the amount of outstanding balances; and
- iv) the expense recognised during the period in respect of bad or doubtful debts due from related parties.

The disclosures required must be made separately for each of the following categories:

- the parent;
- entities with joint control or significant influence over the reporting entity;
- subsidiaries;
- associates;
- joint ventures in which the reporting entity is a venturer;
- key management personnel of the entity or its parent; and
- other related parties

Confirmation that related party transactions were made on terms equivalent to those that prevail in arm's length transactions must be made if such terms can be substantiated.

k) *Contingent liabilities*

Unless the possibility of any outflow in settlement is remote, the reporting entity must disclose for each class of contingent liability at the statutory closing date a brief description of the nature of the contingent liability and, where practicable:

- i) an estimate of its financial effect;
- ii) an indication of the uncertainties relating to the amount or timing of any outflow; and
- iii) the possibility of any reimbursement.

l) *Events after the balance sheet date*

Material non-adjusting events after the balance sheet date must be disclosed (the nature of the event and an estimate of its financial effect, or a statement that such an estimate cannot be made). Examples of such events are:

- i) fixed-term borrowing approaching maturity without realistic prospects of renewal or repayment;
- ii) substantial operating losses;

- iii) discovery of material fraud or errors that show the financial statements are incorrect;
- iv) management determining that it intends to liquidate the entity or to cease trading, or that it has no realistic alternative but to do so;
- v) player transactions where the amounts paid or received are significant;
- vi) transactions relating to property – for example, in relation to the club's stadium.

m) *Other disclosures*

i) Agents' fees

The total amount of payments made to or for the benefit of an agent must be disclosed.

ii) Tax expense

The components of tax expense must be disclosed separately. That is, the aggregate amount included in the determination of net profit or loss for the reporting period in respect of current and/or deferred tax.

iii) Miscellaneous

Any additional information or disclosure that is not presented on the face of the balance sheet, profit and loss account or cash flow statement, but is relevant to an understanding of any of those statements and/or is required to meet the minimum financial information requirements, must be disclosed.

2. Notes to the interim financial statements consist of:

- a) a statement that the same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements or, if those policies or methods have been changed, a description of the nature and effect of the change; and
- b) disclosure of any events or transactions that are material to an understanding of the current interim period.

**F. Financial review by management**

1. The annual financial statements must include a financial review or commentary by management (sometimes referred to as a directors' report) that describes and explains the main features of the reporting entity's financial performance and financial position and the principal risks and uncertainties it faces.
2. The annual financial statements must also include the names of persons who were members of the executive body, or board of directors, and of the supervisory bodies of the reporting entity at any time during the year.

## **ANNEX VII: Basis for the preparation of financial statements**

### **A. Principle**

1. Financial statements as defined in Articles 47 and 48 must be based on the accounting standards required by local legislation for incorporated companies – either the applicable financial reporting framework of the relevant country, the International Financial Reporting Standards or the International Financial Reporting Standard for Small and Medium-sized Entities – regardless of the legal structure of the licence applicant.
2. Financial statements must be prepared on the assumption that the licence applicant is a going concern, meaning it will continue in operation for the foreseeable future. It is assumed that the licence applicant has neither the intention nor the necessity to go into liquidation, cease trading or seek protection from creditors pursuant to laws or regulations.
3. The financial reporting framework, suitable as a basis for the preparation of financial statements, must contain certain underlying principles including:
  - a) fair presentation;
  - b) consistency of presentation;
  - c) accrual basis for accounting;
  - d) separate presentation of each material class of items;
  - e) no offsetting of assets and liabilities or income and expenses unless permitted by national accounting practice.
4. The financial statements must be approved by management and this must be evidenced by way of a brief statement and signature on behalf of the executive body of the reporting entity.

### **B. Consolidation requirements**

1. If the licence applicant has control of any subsidiary, then consolidated financial statements must be prepared and submitted to the licensor as if the entities included in the reporting perimeter (as defined in Article 46) were a single company.
2. A subsidiary may be excluded from the reporting perimeter only if:
  - a) the subsidiary is immaterial compared with the overall group made by the licence applicant; or
  - b) the subsidiary's activity is clearly and exclusively not related to football.
3. If a subsidiary is excluded from the reporting perimeter, the management of the licence applicant must justify its decision to the licensor in detail.

4. If the licence applicant is controlled by a parent which has been included in the reporting perimeter, consolidated financial statements must be prepared and submitted to the licensor as if the entities included in the reporting perimeter were a single company.
5. If the licence applicant is a football company as per Article 12(1b), it must provide the licensor with the financial information of the football company and the registered member (e.g. combined or consolidated financial statements as if they were a single company).

### **C. Accounting requirements for player registrations**

1. Notwithstanding that each licence applicant has to prepare audited annual financial statements under its own national accounting practice for incorporated companies, the International Financial Reporting Standards or the International Financial Reporting Standard for Small and Medium-sized Entities, these regulations include a specific accounting requirement for player registrations carried as intangible fixed assets as set out in Articles 47, 48 and 52.
2. Licence applicants that capitalise the costs of acquiring a player's registration must:
  - a) apply certain minimum accounting requirements as described in paragraph 4 of this part C;
  - b) prepare a player identification table as described in part D of this annex.
3. If a licence applicant has an accounting policy to expense the costs of acquiring a player's registration rather than capitalise them, and this is permitted under their national accounting practice, there is no requirement for such entities to apply the minimum accounting requirements set out below and they do not have to prepare restated figures.
4. The minimum accounting requirements are described as follows:
  - a) In respect of each individual player's registration, the depreciable amount must be allocated on a systematic basis over its useful life. This is achieved by the systematic allocation of the cost of the asset as an expense over the period of the player's contract.
  - b) Only direct costs of acquiring a player's registration can be capitalised. For accounting purposes, the carrying value of an individual player must not be re-valued upwards, even though management may believe market value is higher than carrying value. In addition, whilst it is acknowledged that a licence applicant may be able to generate some value from the use and/or transfer of locally trained players, for accounting purposes costs relating to an applicant's own youth sector must not be included in the balance sheet – as only the cost of players purchased is to be capitalised.

- c) Amortisation must begin when the player's registration is acquired. Amortisation ceases when the asset is classified as held for sale or when the asset is derecognised (i.e. the registration is transferred to another club), whichever comes first.
  - d) All capitalised player values must be reviewed individually each year by management for impairment. If the recoverable amount for an individual player is lower than the carrying amount on the balance sheet, the carrying amount must be adjusted to the recoverable amount and the adjustment charged to the profit and loss account as an impairment cost. It is recommended that each licensor requires each of its licence applicants to apply consistent accounting policies in respect of player registration costs.
5. The licence applicant must prepare supplementary information (to be submitted to the licensor) if the accounting requirements described in this annex are not met by the disclosures and accounting treatment in the audited annual financial statements. The supplementary information must include a restated balance sheet, profit and loss account and any associated notes to meet the requirements set out above. There must also be included a note (or notes) reconciling the results and financial position shown in the supplementary information document to those shown in the audited financial statements (that were prepared under the national accounting practice). The restated financial information must be assessed by the auditor by way of agreed-upon procedures.

#### **D. Player identification table**

- 1. As specified under C(2) above, licence applicants that capitalise costs relating to the acquisition of a player's registration must prepare a player identification table.
- 2. The player identification table must be provided to the auditor. However, the player identification table does not need to be disclosed within the annual financial statements, nor does it have to be submitted to the licensor.
- 3. The minimum information for the content of the player identification table in respect of each relevant player's registration held up to the closing date of the last set of financial statements is as follows:
  - a) Name and date of birth;
  - b) Start and end date of contract;
  - c) The direct costs of acquiring the player's registration;
  - d) Accumulated amortisation brought forward and as at the end of the period;
  - e) Expense/amortisation in the period;
  - f) Impairment cost in the period;

- g) Disposals (cost and accumulated amortisation);
  - h) Net book value (carrying amount); and
  - i) Profit/(loss) from disposal of player's registration.
4. The relevant players about whom details are required in the table are all those players whose registration is held by the licence applicant at any time during the period and in respect of whom some direct acquisition cost has been incurred (at some point in time in the period or prior periods).
5. The following aggregate figures in the player identification table must be reconciled to the relevant figures in the balance sheet and profit and loss account in the audited annual financial statements:
- a) The aggregate of the amortisation of player registrations in the current period as shown in the player identification table must agree with/be reconciled to the 'Amortisation of player registrations' (disclosed on the face of, or in a note to, the profit and loss account for the period);
  - b) The aggregate of impairment provisions made in the current period as shown in the player identification table must agree with/be reconciled to the 'Impairment of player registrations' (disclosed on the face of, or in a note to, the profit and loss account for the period);
  - c) The aggregate of profit/(loss) on disposal of player registrations in the player identification table must agree with/be reconciled to the 'Profit/(loss) from disposal of player registrations' (disclosed on the face of, or in a note to, the profit and loss account for the period);
  - d) The aggregate of the net book value of player registrations in the player identification table must agree with/be reconciled to the figure for 'Intangible assets – players' in the balance sheet (on the face or in the notes thereto) for the period end.
6. For licence applicants who have restated player accounting figures to meet the accounting requirements of these regulations, these aggregate figures from the player identification table must agree with/be reconciled to the restated figures in the supplementary information.

## **ANNEX VIII: Notion of 'overdue payables'**

1. Payables are considered as overdue if they are not paid according to the agreed terms.
2. Payables are not considered as overdue, within the meaning of these regulations, if the licence applicant/licensee (i.e. debtor club) is able to prove by 31 March (in respect of Articles 49 and 50) and by 30 June and 30 September (in respect of Articles 65 and 66) respectively that:
  - a) it has paid the relevant amount in full; or
  - b) it has concluded an agreement which has been accepted in writing by the creditor to extend the deadline for payment beyond the applicable deadline (note: the fact that a creditor may not have requested payment of an amount does not constitute an extension of the deadline); or
  - c) it has brought a legal claim which has been deemed admissible by the competent authority under national law or has opened proceedings with the national or international football authorities or relevant arbitration tribunal contesting liability in relation to the overdue payables; however, if the decision-making bodies (licensor and/or Club Financial Control Panel) consider that such claim has been brought or such proceedings have been opened for the sole purpose of avoiding the applicable deadlines set out in these regulations (i.e. in order to buy time), the relevant amount will still be considered as an overdue payable; or
  - d) it has contested a claim which has been brought or proceedings which have been opened against it by a creditor in respect of overdue payables and is able to demonstrate to the reasonable satisfaction of the relevant decision-making bodies (licensor and/or Club Financial Control Panel) that the claim which has been brought or the proceedings which have been opened are manifestly unfounded.

## **ANNEX IX: Licensor's assessment procedures for the financial criteria and requirements**

### **A. Principle**

The assessment processes to check compliance with the financial criteria set out in Article 10 and Article 55 comprise specific assessment steps that must be followed by the licensor as set out below.

### **B. Assessment of the auditor's report on the annual and interim financial statements**

1. In respect of the annual and interim financial statements, the licensor must perform the following minimum assessment procedures:
  - a) Assess whether the selected reporting entity/entities is appropriate for club licensing purposes.
  - b) Assess the information (annual and interim financial statements that may also include supplementary information) submitted to form a basis for his licensing decision.
  - c) Read and consider the annual and interim financial statements and the auditor's report thereon.
  - d) Address the consequences of any modifications to the audit and/or review report (compared to the normal form of unqualified report) and/or deficiencies compared to the minimum disclosure and accounting requirements according to paragraph 2 below.
2. Having read the auditor's report on the annual and interim financial statements, the licensor must assess it according to the items below:
  - a) If the auditor's report has an unqualified opinion, without any modification, this provides a satisfactory basis for granting the licence.
  - b) If the auditor's report has a disclaimer of opinion or an adverse opinion, the licence must be refused, unless a subsequent audit opinion without disclaimer of opinion or adverse opinion is provided (in relation to another set of financial statements for the same financial year that meet the minimum requirements) and the licensor is satisfied with the subsequent audit opinion.
  - c) If the auditor's report has, in respect of going concern, either an emphasis of matter or a qualified 'except for' opinion, the licence must be refused, unless either:
    - i) a subsequent audit opinion without going concern emphasis of matter or qualification is provided, in relation to the same financial year; or

- ii) additional documentary evidence demonstrating the licence applicant's ability to continue as a going concern until at least the end of the licence season has been provided to, and assessed by, the licensor to his satisfaction. The additional documentary evidence includes, but is not necessarily limited to, the information described in Article 52 (Future financial information).
  - d) If the auditor's report has, in respect of a matter other than going concern, either an emphasis of matter or a qualified 'except for' opinion, then the licensor must consider the implications of the modification for club licensing purposes. The licence may be refused unless additional documentary evidence is provided and assessed to the satisfaction of the licensor. The additional evidence that may be requested by the licensor will be dependent on the reason for the modification to the audit report.
3. If the licence applicant provides supplementary information the licensor must additionally assess the auditor's report on the agreed-upon procedures in respect of the supplementary information. The licence may be refused if this includes reference to errors and/or exceptions found.

### **C. Assessment of overdue payables towards other clubs**

1. In respect of the overdue payables towards other clubs, the licensor may decide:
  - a) to assess himself the information submitted by the licence applicant, in which case he must perform the assessment according to paragraph 2 below; or
  - b) to have independent auditors carry out the assessment procedures, in which case he must review the auditor's report and, in particular, verify that the sample selected by the auditor is satisfactory, and he may carry out any additional assessment he believes necessary, i.e. extend the sample and/or request additional documentary evidence from the licence applicant.
2. If the assessment is done by the licensor, he must assess the information submitted by the licence applicant, in particular the transfer payables table and corresponding supporting documents, as detailed below. If the assessment is carried out by an auditor the same steps may be performed by the auditor:
  - a) Agree the total in the transfer payables table with the 'Accounts payable relating to player transfers' amount in the annual or interim financial statements as at 31 December.
  - b) Check the mathematical accuracy of the transfer payables table.
  - c) Select a sample of player transfers/loans, compare the corresponding agreements with the information contained in the transfer payables table and highlight the selected transfers/loans.

- d) Select a sample of transfer payments, compare them with the information contained in the transfer payables table and highlight the selected payments.
- e) If, according to the transfer payables table, there is an amount due as at 31 March, that concerns a transfer that occurred before 31 December of the previous year, examine that by 31 March at the latest:
  - i) an agreement has been reached as per Annex VIII(2 b); or
  - ii) a dispute has arisen as per Annex VIII(2 c or d).
- f) If applicable: obtain and examine documents, including agreements with the relevant football club(s) and/or correspondence with the competent body, in support of e(i) and/or e(ii) above.

#### **D. Assessment of overdue payables towards employees and social/tax authorities**

1. In respect of the overdue payables towards employees and social/tax authorities, the licensor may decide:
  - a) to assess himself the information submitted by the licence applicant, in which case he must perform the assessment according to paragraph 2 below; or
  - b) to have independent auditors carry out the assessment procedures, in which case he must review the auditor's report and, in particular, verify that the sample selected by the auditor is satisfactory, and he may carry out any additional assessment he believes necessary, i.e. extend the sample and/or request additional documentary evidence from the licence applicant.
2. The licensor must assess the information submitted by the licence applicant, in particular the list of employees and other corresponding supporting documents, as detailed below. If the assessment is carried out by an auditor the same steps may be performed by the auditor:
  - a) Obtain the list of employees prepared by management.
  - b) Agree the total payable in the list of employees with the 'Accounts payable to employees' amount in the annual or interim financial statements as at 31 December.
  - c) Obtain and inspect a randomly selected sample of employee confirmation letters and compare the information to that contained in the list of employees.
  - d) If, according to the licensor, there is an amount due as at 31 March that refers to payables in respect of contractual and legal obligations towards its employees that arose before the previous 31 December, examine that, by 31 March at the latest:
    - i) an agreement has been reached as per Annex VIII(2 b); or
    - ii) a dispute has arisen as per Annex VIII(2 c or d).

- e) Examine a selection of bank statements in support of payments.
  - f) If applicable: examine documents, including agreements with the relevant employee(s) and/or correspondence with the competent body, in support of the representations under d(i) and/or d(ii) above.
3. The licensor must assess all supporting documents in respect of payables to social and tax authorities in respect of contractual and legal obligations towards the licence applicant's employees. In particular he must perform the following steps:
- a) Agree the recorded balance of payroll taxes as at 31 December to the payroll records of the club.
  - b) If there is an amount due as at 31 March that arose before the previous 31 December, examine that, by 31 March at the latest:
    - i) an agreement has been reached as per Annex VIII(2 b); or
    - ii) a dispute has arisen as per Annex VIII(2 c or d).
  - c) If applicable: examine documents, including agreements with the tax/social authorities and/or correspondence with the competent body, in support of b(i) and/or b(ii) above.

#### **E. Assessment of the written representation letter**

- 1. In respect of the written representation letter, the licensor must read and consider the information in respect of any event or condition of major economic importance, in combination with the financial statements, future financial information and any additional documentary evidence provided by the licence applicant. The licensor may decide to have this assessment carried out by an auditor.
- 2. The licensor must assess the club's ability to continue as a going concern until at least the end of the licence season. The licence must be refused if, based on the financial information that the licensor has assessed, in the licensor's judgement, the licence applicant may not be able to continue as a going concern until at least the end of the licence season.

#### **F. Assessment of the future financial information**

- 1. In respect of the future financial information the licensor must assess whether or not an indicator as defined in Article 52 has been breached. If any indicator has been breached, the licensor must assess the future financial information as defined in paragraph 2 below.

2. The assessment procedures, which may be carried out by an auditor, must include, as a minimum, the following:
  - a) Check whether the future financial information is arithmetically accurate;
  - b) Through discussion with management and review of the future financial information, and determination of whether the future financial information has been prepared using the disclosed assumptions and risks;
  - c) Check that the opening balances contained within the future financial information are consistent with the balance sheet shown in the immediately preceding audited annual financial statements or reviewed interim financial statements (if such interim statements have been submitted); and
  - d) Check that the future financial information has been formally approved by the executive body of the licence applicant.
3. The licensor must assess the club's ability to continue as a going concern until at least the end of the licence season (i.e. the licence must be refused if, based on the financial information that the licensor has assessed, in the licensor's judgement, the licence applicant may not be able to continue as a going concern until at least the end of the licence season).

#### **G. Assessment of break-even information**

1. In respect of the break-even information the licensor must assess whether or not the financial information submitted by the licensee corresponds to the information in respect of the same reporting entity/entities submitted for club licensing purposes.
2. The assessment procedures, which may be carried out by an auditor, must include, as a minimum, the following:
  - a) check whether the break-even information is arithmetically accurate;
  - b) check that the balances contained within the break-even information are consistent with the balances contained in the audited financial statements, supplementary information or underlying accounting records;
  - c) check that the break-even information has been formally approved by the executive body of the licensee.
3. The licensor must confirm to the Club Financial Control Panel the results of the above assessment procedures.

## **ANNEX X: Calculation of the break-even result**

### **A. Summary of the calculation of the break-even result**

1. The break-even result for a reporting period is calculated as relevant income less relevant expenses (see Article 58).
2. Relevant income is equivalent to the sum of the following elements (detailed in part B):
  - a) Revenue – Gate receipts
  - b) Revenue – Sponsorship and advertising
  - c) Revenue – Broadcasting rights
  - d) Revenue – Commercial activities
  - e) Revenue – Other operating income
  - f) Profit on disposal of player registrations (or income from disposal of player registrations)
  - g) Excess proceeds on disposal of tangible fixed assets
  - h) Finance income

Relevant income is decreased if the elements a) to h) in paragraph 2 include any items below (detailed in part B):

- i) Non-monetary credits
  - j) Income transaction(s) with related party(ies) above fair value
  - k) Income from non-football operations not related to the club
3. Relevant expenses are equivalent to the sum of the following elements (detailed in part C):
    - a) Expenses – Cost of sales/materials
    - b) Expenses – Employee benefits expenses
    - c) Expenses – Other operating expenses
    - d) Amortisation/impairment of player registrations and loss on disposal of player registrations (or costs of acquiring player registrations)
    - e) Finance costs and dividends

Relevant expenses are increased if the elements a) to e) in paragraph 3 include the item below (detailed in part C):

- f) Expense transaction(s) with related party(ies) below fair value.

Relevant expenses are decreased if the elements a) to e) in paragraph 3 include any items below (detailed in part C):

- g) Expenditure on youth development activities
- h) Expenditure on community development activities
- i) Non-monetary debits/charges
- j) Finance costs directly attributable to the construction of tangible fixed assets
- k) Expenses of non-football operations not related to the club

## **B. Relevant income**

1. Definitions for the elements of the relevant income are as follows:

a) *Revenue – Gate receipts*

Includes revenue derived from general admission and corporate match attendance, from both season tickets and matchday tickets, in relation to national competitions (league and cup), UEFA club competitions and other matches (friendly matches and tours). Gate receipts also include membership fees.

b) *Revenue – Sponsorship and advertising*

Includes revenue derived from main sponsor, other sponsors, pitch-perimeter and other board advertising, and other sponsorship and advertising.

c) *Revenue – Broadcasting rights*

Includes revenue derived from sale of broadcasting rights to television, radio, new media and other broadcast media, in relation to national competitions (league and cup), UEFA club competitions and other matches (friendly matches and tours).

d) *Revenue – Commercial activities*

Includes revenue derived from merchandising, food & beverage sales, conferencing, lottery and other commercial activities not otherwise categorised.

e) *Revenue – Other operating income*

Includes all other operating income not otherwise described above, including revenue derived from other activities such as subsidies, rent, dividends and income from non-football operations.

f) *Profit on disposal of player registrations or Income from disposal of player registrations*

For the calculation of relevant income, whether a club includes either (i) profit on disposal of player registrations or (ii) income from disposal of player

registrations will depend on each club's method of accounting for player registrations in its financial statements and application of the requirements defined below:

- i) For a club that uses the 'capitalisation and amortisation' method of accounting for player registrations, profit on disposal of a player's registration is calculated by deducting the net book value of the player's registration at the time of the transfer, from the net disposal proceeds received and receivable.

A profit on disposal of a player's registration will be reported if the net disposal proceeds exceed the net book value of the player's registration at the time of the transfer. Any such profit must be included within relevant income for the calculation of the break-even result.

- ii) For a club that uses the 'income and expense' method of accounting for player registrations, income from disposal of a player's registration is the net disposal proceeds generated from the transfer of the player's registration to another club. The net disposal proceeds should equate to the monetary income from the disposal of the player's registration.

For the purpose of the break-even calculation:

- iii) For clubs which use the 'capitalisation and amortisation' method of accounting for player registrations in their annual financial statements, relevant income and relevant expenses must reflect this same accounting treatment;
- iv) For clubs which use the 'income and expense' method of accounting for player registrations in their annual financial statements, the club can elect to apply either the 'income and expense' or the 'capitalisation and amortisation' method. The selected treatment must be applied on a consistent basis from one reporting period to the next.

g) *Excess proceeds on disposal of tangible fixed assets*

The profit on disposal of tangible fixed assets (including, but not limited to, a club's stadium and training facilities) in a reporting period must be excluded from the break-even result with the following two exceptions:

- i) If a tangible fixed asset other than a stadium or training facilities is not being replaced, then the profit on disposal recognised in the income statement can be taken into account as a relevant income up to:
  - i.1 the difference between the proceeds on disposal and the historical cost of the asset which was recognised as a tangible fixed asset in the financial statements of the reporting entity;
- ii) If a club demonstrates that it is replacing a sold fixed asset, then the profit on disposal recognised in the income statement can be taken into account as a relevant income up to:

- ii.1 the difference between the proceeds on disposal and the full cost of the replacement asset which is recognised, or to be recognised, as a tangible fixed asset in the financial statements of the reporting entity;
- ii.2 the difference between the proceeds on disposal and the present value of 50 years' minimum lease payments in respect of the replacement asset to be used by the club under a lease/rental arrangement.

h) *Finance income*

Finance income is in respect of interest revenue arising from the use by others of entity assets yielding interest.

i) *Non-monetary credits*

Appropriate adjustments must be made such that non-monetary credits are excluded from relevant income for the break-even calculation. Non-monetary items are items which do not meet the definition of monetary items. Monetary items are defined as units of currency held and assets and liabilities to be received or paid in a fixed or determinable number of units of currency. The essential feature of a monetary item is a right to receive (or an obligation to deliver) a fixed or determinable number of units of currency.

Examples of non-monetary items include:

- Revaluations of tangible and intangible fixed assets;
- Revaluations of inventories;
- Write-backs of depreciation or amortisation charges in respect of fixed assets (including player registrations); and
- Foreign exchange gains/(losses) on non-monetary items.

j) *Income transaction(s) with related party(ies) above fair value*

For the purpose of the break-even result, the licensee must determine the fair value of any related party transaction(s). If the estimated fair value is different to the recorded value then the relevant income must be adjusted accordingly, bearing in mind, however, that no upward adjustments can be made to relevant income.

Examples of related party transactions that require a licensee to demonstrate the estimated fair value of the transaction include:

- Sale of sponsorship rights by a club to a related party;
- Sale of corporate hospitality tickets, and/or use of an executive box, by a club to a related party; and
- Any transaction with a related party whereby goods or services are provided to a club.

Examples of related party transactions that must be adjusted because they must always be excluded from relevant income are:

- Monies received by a club from a related party as a donation; and
- Settlement of liabilities on behalf of the club by a related party.

Contributions from a related party may only be taken into consideration in the determination of the acceptable deviation (as defined in Article 61) as part of the assessment of the break-even requirement, as further described in part (D) of this annex.

The definitions of related party, related party transactions and fair value of a related party transaction are provided in part (E) of this annex.

k) *Income from non-football operations not related to the club*

The income (and expenses – see part C(1)(k)) of non-football operations only needs to be excluded from the calculation of relevant income if it is clearly and exclusively not related to the activities, locations or brand of the football club, in which case it must be excluded.

Examples of activities that may be reported in financial statements as non-football operations but for the purposes of the calculation of relevant income and expenses would not normally need to be adjusted include:

- Operations based at, or in close proximity to, a club's stadium and training facilities such as a hotel, restaurant, conference centre, business premises (for rental), health-care centre, other sports teams; and
- Operations clearly using the name/brand of a club as part of their operations.

## C. Relevant expenses

1. Definitions for the elements of relevant expenses are as follows:

a) *Expenses - Cost of sales/materials*

Includes cost of sales for all activities, such as catering, merchandise, medical care, kits and sports materials.

b) *Expenses – Employee benefits expenses*

Includes all forms of consideration in exchange for services rendered during the reporting period by employees, including directors, management and those charged with governance.

Employee benefits expenses covers all forms of consideration including, but not limited to, short term employee benefits (such as wages, salaries, social security contributions, profit sharing and bonuses), non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services), post-employment benefits (payable after completion of employment), other long-term employee benefits, termination benefits, and share-based payment transactions.

c) *Expenses – Other operating expenses*

Includes all other operating expenses, such as match expenses, rental costs, administration and overhead expenses, and expenses of non-football operations. In accordance with the minimum disclosure requirements in Annex VI C, depreciation, amortisation and impairment of fixed assets are not included in other operating expenses and are to be separately disclosed in the profit and loss account.

d) *Amortisation/impairment of player registrations and loss on disposal of player registrations or costs of acquiring player registrations*

For the calculation of relevant expenses, whether a club includes either (i) amortisation/impairment of player registrations and loss on disposal of player registrations or (ii) costs of acquiring player registrations will depend on each club's method of accounting for player registrations in its financial statements and the application of the requirements defined below:

- i) For a reporting entity that uses the 'capitalisation and amortisation' method of accounting for player registrations in its annual financial statements, the amortisation and/or impairment of costs of acquiring player registrations in a reporting period must be calculated in accordance with the minimum accounting requirements as described in Annex VII C.

The loss on disposal of a player's registration is calculated by deducting the net book value of the player's registration at the time of the transfer, from the net disposal proceeds received and receivable.

A loss on disposal of a player's registration will be reported if the net disposal proceeds are less than the net book value of the player's registration at the time of the transfer. Any such loss must be included within relevant expenses for the calculation of the break-even result.

- ii) For a reporting entity that uses the 'income and expense' method of accounting for player registrations, the costs of acquiring a player's registration is recorded in a reporting period.

For the purpose of the break-even calculation:

- iii) For clubs which use the 'capitalisation and amortisation' method of accounting for player registrations in their annual financial statements, relevant income and relevant expenses must reflect this same accounting treatment;
- iv) For clubs which use the 'income and expense' method of accounting for player registrations in their annual financial statements, the club can elect to apply either the 'income and expense' or the 'capitalisation and amortisation' method. The selected treatment must be applied on a consistent basis from one reporting period to the next.

e) *Finance costs and dividends*

Finance costs include interest and other costs incurred by an entity in respect of the borrowing of funds, including interest on bank overdrafts and on bank and other loans, and finance charges in respect of finance leases.

Dividends are distributions to holders of equity instruments. If dividends are recognised in the financial statements then, regardless of whether the dividends are presented in the profit and loss account or an alternative statement, the amount of dividends must be included as relevant expenses.

f) *Expense transaction(s) with related party(ies) below fair value*

For the purpose of the break-even calculation, the licensee must determine the fair value of any related party transaction(s). If the estimated fair value is different to the recorded value then the relevant expenses must be adjusted accordingly, bearing in mind, however, that no downward adjustments can be made to relevant expenses.

For additional definitions of fair value of related party transactions refer to part (E) of this annex.

g) *Expenditure on youth development activities*

Appropriate adjustment may be made such that youth development expenses are excluded from the calculation of the break-even result. Expenditure on youth development activities means expenditure by a club that is directly attributable (i.e. would have been avoided if the club did not undertake youth development activities) to activities to train, educate and develop youth players involved in the youth development programme, net of any income received by the club that is directly attributable to the youth development programme. The break-even requirement allows a reporting entity to exclude expenditure on youth development activities from relevant expenses because the aim is to encourage investment and expenditure on facilities and activities for the long-term benefit of the club.

Activities that are considered as youth development activities include, but are not limited to:

- i) Organisation of a youth sector;
- ii) Youth teams taking part in official competitions or programmes played at national, regional or local level and recognised by the member association;
- iii) Football education programme for different age groups (e.g. playing skills, technical, tactical and physical);
- iv) Education programme on the Laws of the Game;
- v) Medical support for youth players; and
- vi) Non-football education arrangements.

Directly attributable expenses include, but are not limited to:

- vii) Costs of materials and services used or consumed in undertaking the youth development activities, such as accommodation costs, medical fees, educational fees, travel and subsistence, kit and clothing, facility hire;
- viii) Costs of employee benefits for employees wholly involved in youth development activities other than players such as the head of youth development programme and youth coaches, as defined in Articles 38 and 39, if their employment by the club is wholly for the youth development activities;
- ix) Costs of employee benefits for employees who are youth players under the age of 18 as at the statutory closing date of the licensee. Costs of employee benefits for employees who are youth players aged 18 or over as at the statutory closing date of the licensee cannot be excluded from relevant expenses.

If a reporting entity cannot separately identify expenditure on youth development activities from other expenditure, then such expenditure will not be treated as expenditure on youth development activities. The following are not part of expenditure on youth development activities for the purpose of this requirement:

- x) Player scouting costs;
  - xi) Fees to obtain the registration of a youth player, such as any fees paid to an agent or to another club;
  - xii) Selling, administrative and other general overhead expenditure unless this expenditure can be directly attributed to the youth development activities;
  - xiii) Costs of employee benefits for employees only partly involved in youth development activities (for example, a coach having part-time involvement in youth development activities);
  - xiv) The cost of property, stadium and equipment and/or depreciation thereof (the depreciation of tangible fixed assets including, but not limited to, any such assets relating to youth development activities is separately excluded from relevant expenses).
- h) *Expenditure on community development activities*

Appropriate adjustment may be made such that community development expenses are excluded from the calculation of the break-even result. Expenditure on community development activities means expenditure that is directly attributable (i.e. would have been avoided if the club did not undertake community development activities) to activities for the public benefit to promote participation in sport and advance social development.

Community development activities include, but are not limited to:

- i) The advancement of education;
- ii) The advancement of health;
- iii) The advancement of social inclusion and equality;
- iv) The prevention or relief of poverty;
- v) The advancement of human rights, conflict resolution or the promotion of religious or racial harmony or equality and diversity;
- vi) The advancement of amateur sport;
- vii) The advancement of environmental protection or improvement; or
- viii) The relief of those in need by reason of youth, age, ill health, disability, financial hardship or other disadvantage.

Directly attributable expenses include, but are not limited to:

- ix) Costs of materials and services used or consumed in undertaking the community development activities;
- x) Costs of employee benefits for employees wholly involved in community development activities;
- xi) Donations to other entities for which the purpose is promote participation in sport and/or advance social development.

If a reporting entity cannot separately identify expenditure on community development activities from other expenditure, then such expenditure will not be treated as expenditure on community development activities. The following are not part of expenditure on community development activities for the purpose of this requirement:

- xii) Selling, administrative and other general overhead expenditure unless this expenditure can be directly attributed to the community development activities;
- xiii) Costs of employee benefits for employees only partly involved in community development activities (for example, a player having some form of involvement in community development activities);
- xiv) The cost of property, stadium and equipment and/or depreciation thereon (the depreciation of tangible fixed assets including, but not limited to, any such assets relating to community development activities is separately excluded from relevant expenses anyway).

i) *Non-monetary debits/charges*

Appropriate adjustment(s) may be made such that non-monetary debits/charges are excluded from relevant expenses for the break-even calculation. For further guidance about non-monetary items see part B(1)(i).

- j) *Finance costs directly attributable to the construction of tangible fixed assets*  
A licensee may exclude from the calculation of the break-even result any finance costs that are directly attributable to the construction of an asset for use for the club's football activities that have been expensed in a reporting period rather than capitalised as part of the cost of the asset, up until when the asset is ready for use.

The amount that may be adjusted is the actual interest expense (not otherwise capitalised) less any investment income on the temporary investment of the amount borrowed in respect of which the interest relates. The relevant interest is from the date when the entity incurs expenditure for the asset, incurs borrowing costs, and undertakes activities that are necessary to prepare the asset for its intended use or sale, until the date of completion of the asset.

After completion of the construction of an asset, all finance costs must be included in the calculation of the break-even result.

- k) *Expenses of non-football operations not related to the club*

The expenses (and income – see part B(1)(k)) of non-football operations which are clearly and exclusively not related to the activities, locations or brand of the football club may be excluded from the calculation of relevant expenses.

2. The following types of expense may be excluded from the calculation of the break-even result:

- a) *Depreciation / Impairment of tangible fixed assets*

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life, i.e. the period over which an asset is expected to be available for use by an entity. An impairment loss is the amount by which the carrying amount of a tangible asset exceeds its recoverable amount, i.e. the higher of an asset's fair value less costs to sell and value in use.

The depreciation and/or impairment of tangible fixed assets in a reporting period may be excluded from the calculation of the break-even result because the aim is to encourage investment and expenditure on facilities and activities for the long-term benefit of the club.

- b) *Amortisation / Impairment of intangible fixed assets other than player registrations*

Amortisation is the systematic allocation of the depreciable amount of an asset over its useful life, i.e. the period over which an asset is expected to be available for use by an entity. An impairment loss is the amount by which the carrying amount of an asset exceeds its fair value less costs to sell.

The amortisation and/or impairment loss of intangible fixed assets other than in respect of the cost of acquiring player registrations in a reporting period may be excluded from the calculation of the break-even result. For the

avoidance of doubt, the amortisation/impairment of the costs of acquiring player registrations must be included in the calculation of the break-even result for a reporting period (see part C(1)(d)).

c) *Tax expense*

Tax expense in respect of income tax includes all domestic and foreign taxes that are based on taxable profit. Taxable profit (tax loss) is the profit (loss) for a reporting period upon which income taxes are payable (recoverable). Tax expense is the amount recognised for a reporting period in respect of the current and future tax consequences of transactions and other events.

Tax expense does not include value added taxes or tax and social security contributions in respect of employees.

**D. Contributions from equity participants and/or related party(ies)**

1. Acceptable deviation can exceed EUR 5 million up to the amounts described in Article 61(2) in a monitoring period only if such excess is entirely covered by contributions from equity participants and/or related parties.
2. Contributions from equity participants are payments for shares through the share capital or share premium reserve accounts. That is, investing in equity instruments in their capacity as shareholder.
3. Contributions from a related party include:
  - a) Capital contributions being a contribution by a related party: that is an unconditional gift made to the reporting entity by a related party which increase the reporting entity's equity without any obligation for repayment or to do anything in consideration for receiving them. For example, a waiver of inter-company or related party debt constitutes a capital contribution, as it results in an increase in equity; and/or
  - b) Income transactions from a related party: the amount to be considered as a contribution will be no more than an amount equivalent to the difference between the actual income in a reporting period and the fair value of the transaction(s) in a reporting period as already recognised in the calculation of the break-even result (see part B(1)(j)). The monies must have been received by the reporting entity, rather than just some form of promise or commitment from the related party.
4. The following types of transaction are not 'contributions from equity participants and/or related parties':
  - i) Positive movement in net assets/liabilities arising from a revaluation;
  - ii) Creation, or increase in the balance, of other reserves where there is no contribution from equity participants;

- iii) A transaction whereby the reporting entity has a liability in that the entity has a present obligation to act or perform in a certain way;
- iv) Contributions from owners in respect of instruments classified as liabilities.

**E. Related party, related party transactions and fair value of related party transactions**

1. A related party is a person or entity that is related to the entity that is preparing its financial statements (the 'reporting entity').
2. A person or a close member of that person's family is related to a reporting entity if that person:
  - a) has control or joint control over the reporting entity;
  - b) has significant influence over the reporting entity; or
  - c) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
3. An entity is related to a reporting entity if any of the following conditions apply:
  - a) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - c) Both entities are joint ventures of the same third party;
  - d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - e) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
  - f) The entity is controlled or jointly controlled by a person identified in paragraph 2; or
  - g) A person identified in paragraph 2(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

4. With reference to paragraphs 1 to 3 above, the following definitions apply:
- a) Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity. They may include that person's children and spouse or domestic partner, children of that person's spouse or domestic partner, and dependants of that person or that person's spouse or domestic partner.
  - b) Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
  - c) A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.
  - d) Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).
  - e) Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.
  - f) Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies. Significant influence may be gained by share ownership, statute or agreement.
  - g) An associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture. Therefore, for example, an associate's subsidiary and the investor that has significant influence over the associate are related to each other.
5. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form. The following are not related parties:
- a) Two entities simply because they have a director or other member of key management personnel in common or because a member of key management personnel of one entity has significant influence over the other entity.
  - b) Two venturers simply because they share joint control over a joint venture.
  - c) Providers of finance, trade unions, public utilities, and departments and agencies of a government that does not control, jointly control or significantly influence the reporting entity, simply by virtue of their normal dealings with an

entity (even though they may affect the freedom of action of an entity or participate in its decision-making process).

- d) A customer, supplier, franchisor, distributor or general agent with whom an entity transacts a significant volume of business, simply by virtue of the resulting economic dependence.
6. A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price has been charged (disclosure requirements in respect of related parties and related party transactions are set out in Annex VI).
  7. A related party transaction may, or may not, have taken place at fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. An arrangement or a transaction is deemed to be 'not transacted on an arm's length basis' if it has been entered into on terms more favourable to either party to the arrangement than would have been obtained if there had been no related party relationship.

## **ANNEX XI: Other factors to be considered in respect of the break-even requirement**

1. Other factors within the meaning of Article 63(4) to be considered by the Club Financial Control Panel include, but are not limited to, the following.

a) *The quantum and trend of the break-even result*

The larger the quantum of a break-even deficit relative to a licensee's relevant income, in a reporting period or in aggregate for a monitoring period, the less favourably it will be viewed. An improving trend in the annual break-even results will be viewed more favourably than a worsening trend.

b) *Impact of changes in exchange rates*

If exchange rates have changed such that there is an adverse impact on the licensee's break-even result denominated in euros for a reporting period or in aggregate in a monitoring period, compared to the currency used by the licensee for its annual financial statements, then the quantum of the impact of changes in exchange rates will be taken into account.

c) *Projected break-even result*

If the projected break-even result for the reporting period T+1 foresees a surplus, it is likely to be viewed more favourably than if the break-even result for the reporting period T+1 foresees a deficit. As part of its considerations, the Club Financial Control Panel may also request a licensee's longer term business plan (for reporting periods covering T+2 and T+3) in order to better understand the strategy of the club.

d) *Budgeting accuracy*

A licensee's break-even result for a reporting period may be compared to the 'plan for compliance' (i.e. budgeted break-even result) as previously submitted. If the budgeted break-even result is realistic and consistent with the past practice of the club, it will be viewed more favourably.

e) *Debt situation*

Additional information may also be requested from a licensee in respect of its debt situation. This may include aspects such as the source of debt, the ability to service interest and principal payments, the debt covenant compliance and the maturity profile of debt.

As part of its considerations, the Club Financial Control Panel may evaluate among others the following debt ratios to assess the capital structure and the debt-servicing capability of a club:

- i) Degree of leverage – the level of debt relative to earnings and underlying assets;

- ii) Profitability and coverage – the level of earnings relative to debt servicing costs;
- iii) Cash flow adequacy – the capacity to cover both interest and principal repayments.

f) *Force majeure*

As part of its considerations, the Club Financial Control Panel may also take into account extraordinary events or circumstances beyond the control of the club which are considered as a case of force majeure.

2. For the purpose of the first two monitoring periods, i.e. monitoring periods assessed in the seasons 2013/14 and 2014/15, the following additional transitional factor is to be considered by the Club Financial Control Panel:

*Players under contract before 1 June 2010*

If a licensee reports an aggregate break-even deficit that exceeds the acceptable deviation and it fulfils both conditions described below then this would be taken into account in a favourable way.

- i) It reports a positive trend in the annual break-even results (proving it has implemented a concrete strategy for future compliance); and
- ii) It proves that the aggregate break-even deficit is only due to the annual break-even deficit of the reporting period ending in 2012 which in turn is due to contracts with players undertaken prior to 1 June 2010 (for the avoidance of doubt, all renegotiations on contracts undertaken after such date would not be taken into account).

This means that a licensee that reports an aggregate break-even deficit that exceeds the acceptable deviation but that satisfies both conditions described under i) and ii) above should in principle not be sanctioned.

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